MNQUMA

LOCAL MUNICIPALITY

Mnquma Local Municipality
Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	The entity functions as a local municipality, established under paragraph 151 of the Constitution of the Republic of South Africa.
Nature of business and principal activities	Mnquma Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998). The Municipality's operations are governed by:- Municipal Finance Management Act 56 of 2003 - Municipal Structure Act 117 of 1998 - Municipal Systems Act 32 of 2000 and various other acts and regulations.
The following is included in the scope of operation	The following principal activities of the municipality are:
	- Provide democratic activities and accountable government
	- Ensure sustainable service delivery to communities
	- Provide social and economic development
	- Provide basic service to the community
Mayoral committee	
Executive Mayor	S Ncetezo
Speaker	T Bikitsha
Chief Whip	NR Tshona
Exco Councillors	L Mgandela
	T Nkamisa
	N Sheleni
	N Layiti
	N Plaatjie
	ME Ntshonga
	NP Dube
	TP Ntanga
	N Jiya
	C Mtsi
	S Mkiva
Councillors	N Lusizi
	TH Mpeta
	NM Mpambani
	N Ntolosi
	N Thandaphi
	Z Sobekwa
	SL Mafanya
	N Monakali
	NN Nqolomlilo
	Z Siyo
	AA Krakri
	LS Sobekwa
	GN Nombila
	B Kave
	ZC Mfazwe
	TZ Xhongwana
	G Guqaza
	NH Kendle
	T Ntyinkala

General Information

KG Magwaca
NG Ndongeni
M Mkhilili
L Tsipa
M Ndungane
M Mxhoko
SN Tshazi
WW Mbadlanyana
XI Pupuma
WM Ntongana
Z Bomela
MZ Mnqwazi
Z Gade
ZA Mqolo
ML Mtalo
Z Mnqokoyi
NL Zaba
NQ Sukwana
Y Mngonyama
NH Skelenge
SM Molosi
S Matutu
NW Mbeki
A Finca
L Mbentsula
S Lilise
TC Nkutu
AB Madikane
V Nkehle
T Makeleni

TRADITIONAL LEADERS TO PARTICIPATE IN MNQUMA MUNCIPALITY COUNCIL

NS Ngxiya
VL Mbasa
WM Mahlangeni
BL Ntleki
ZM Dyantyi
M Magodla
N Nyhila
D Mpangele
B Vuso
M Nguza
NVG Dondashe
P Nguza

General Information

Grading of local authority	Medium Capacity Municipality
Accounting Officer	S Mahlasela
Chief Financial Office (CFO)	M Matomane
Registered Office	Corner King and Umtata Street Butterworth 4960
Postal address	P.O. Box 36 Butterworth 4960
Bankers	First National Bank
Auditors	Auditor General Registered Auditors
Preparer	The annual financial statements were internally compiled by: M Matomane
Published	30 November 2019
Telephone	(047) 401 2400
Email address	mmatomane@mnquma.go.za
Jurisdiction	Mnquma Local Municipality is located in the south-eastern part of the Eastern Cape province. This Category B Municipality falls under the jurisdiction of the Amathole District Municipality and comprises an amalgamation of the former Butterworth, Ngqamakhwe (previously Ngqamakwe) and Centane Transitional Regional Councils. Mnquma Local Municipality shares borders with three other local municipalities: Mbhashe, Intsika Yethu and Great Kei. It also includes a number of previously administered rural areas.

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (No 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The municipality is wholly dependent on the Department of Local Government and Traditional Affairs for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Department of Local Government and Traditional Affairs has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The financial statements set out on pages 5 to 86, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed by him:

S. Mahlasela
Municipal Manager

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current Assets			
Inventories	2&45	4,756,828	1,353,526
Receivables from non-exchange transactions	4&45	18,567,138	15,413,475
VAT receivable	5&45	5,731,098	3,008,262
Receivables from exchange transactions	3&45	12,984,128	6,591,719
Cash and cash equivalents	6	16,504,035	27,681,944
		58,543,227	**54,048,926**
Non-Current Assets			
Investment property	7&45	159,414,313	164,948,795
Property, plant and equipment	8&45	847,506,984	820,335,958
		1,006,921,297	**985,284,753**
Total Assets		**1,065,464,524**	**1,039,333,679**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9&45	48,701,132	58,307,579
Payables from non-exchange	10	-	1,960,274
Employee benefit obligation	45&46	1,978,000	1,571,418
Unspent conditional grants and receipts	11	3,063,175	26,829,081
		53,742,307	**88,668,352**
Non-Current Liabilities			
Employee benefit obligation	46	10,610,000	9,105,913
Total Liabilities		**64,352,307**	**97,774,265**
Net Assets		**1,001,112,217**	**941,559,414**
Reserves			
Revaluation reserve	12&45	530,213,426	106,258,917
Accumulated surplus	45	470,898,791	835,300,497
Total Net Assets		**1,001,112,217**	**941,559,414**

Mnquma Local Municipality
Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Service charges	14&45	4,655,997	4,686,654
Rental of facilities and equipment	15	2,651,041	2,593,811
Interest on outstanding debtors	16	9,225,982	7,994,116
Income from agency fees	17	3,524,624	3,204,571
Licences and permits	20	1,313,257	888,669
Other income	18	1,195,355	972,858
Interest received - investment	19	5,094,862	3,585,521
Total revenue from exchange transactions		**27,661,118**	**23,926,200**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21&45	20,978,293	21,211,275
Transfer revenue			
Government grants & subsidies	22	326,640,731	259,640,453
Traffic fines	2345	6,407,840	6,479,405
Total revenue from non-exchange transactions		**354,026,864**	**287,331,133**
Total revenue	23	**381,687,982**	**311,257,333**
Expenditure			
Employee related costs	24&45	(170,527,255)	(179,328,805)
Remuneration of councillors	25	(27,080,324)	(25,890,954)
Depreciation and amortisation	27&45	(163,854,554)	(182,205,379)
Finance costs	26	(2,912,523)	(2,444,172)
Debt Impairment	29&45	(12,996,187)	(12,293,619)
Bulk purchases	45&47	(4,829,257)	(3,939,582)
Grants and subsidies expenditure	32	-	(5,635,632)
Loss on disposal of assets	33	(5,903,054)	(2,650,842)
Repairs and maintenance	2845	(4,167,553)	(2,259,234)
Revaluation losses		(333,420,088)	-
General expenses	30&45	(53,977,454)	(57,373,453)
Total expenditure		**(779,668,249)**	**(474,021,672)**
Deficit		**(397,980,267)**	**(162,764,339)**
Actuarial gains / (losses)	46	(172,301)	1,994,114
Deficit for the year		**(398,152,568)**	**(160,770,225)**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	438,824,585	1,518,902,460	1,957,727,045
Correction of errors - Note 48	(300,904,818)	(522,831,738)	(823,736,556)
Balance at 01 July 2017 as restated*	**137,919,768**	**996,070,722**	**1,133,990,490**
Realisation of revaluation surplus	(31,660,851)	-	(31,660,851)
Net income (losses) recognised directly in net assets	(31,660,851)	-	(31,660,851)
Deficit for the year	-	(160,770,225)	(160,770,225)
Total changes	(31,660,851)	(160,770,225)	(192,431,076)
Balance at 1 July 2018	**106,258,917**	**838,574,155**	**944,833,072**
Changes in net assets			
Correction of error	-	51,221	51,221
Realisation revaluation reserve on derecognition of assets replaced in 2019	(430,653)	430,653	-
Transfer from Revaluation reserve to Accumulated Surplus	(29,995,330)	29,995,330	-
Revaluation losses	(50,367,762)	-	(50,367,762)
Revaluation gains	504,748,254	-	504,748,254
Net income (losses) recognised directly in net assets	423,954,509	30,477,204	454,431,713
Surplus (Deficit) for the year	-	(398,152,568)	(398,152,568)
Total recognised income and expenses for the year	423,954,509	(367,675,364)	56,279,145
Total changes	423,954,509	(367,675,364)	56,279,145
Balance at 30 June 2019	**530,213,426**	**470,898,791**	**1,001,112,217**

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Sale of goods and services		9,750,199	7,759,963
Grants		326,640,731	259,640,453
Interest income		5,094,862	3,585,521
Other receipts		1,195,355	2,126,532
		342,681,147	273,112,469
Payments			
Employee costs		(170,527,255)	(179,328,805)
Suppliers		(27,080,324)	(25,890,954)
Finance costs		(2,912,523)	(2,444,172)
		(200,520,102)	(207,663,931)
Net cash flows from operating activities	31	**142,161,045**	**65,448,538**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(73,220,862)	(18,175,365)
Proceeds from sale of property, plant and equipment		-	205,438
Net cash flows from investing activities		**(73,220,862)**	**(17,969,927)**
Cash flows from financing activities			
Finance lease payments		-	(97,313)
Net increase in cash and cash equivalents		**68,940,183**	**47,381,298**
Cash and cash equivalents at the beginning of the year		27,681,944	10,206,746
Cash and cash equivalents at the end of the year	6	**96,622,127**	**57,588,044**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4,100,000	533,065	**4,633,065**	4,655,997	**22,932**	41
Rental of facilities and equipment	3,202,000	-	**3,202,000**	2,651,041	**(550,959)**	
Interest on outstanding debtors	7,477,496	-	**7,477,496**	9,225,982	**1,748,486**	41
Income from agency fees	3,000,000	993,808	**3,993,808**	3,524,624	**(469,184)**	41
Licences and permits	1,000,006	37,920	**1,037,926**	1,313,257	**275,331**	41
Other income	700,004	417,478	**1,117,482**	1,195,355	**77,873**	41
Interest received - investment	2,500,000	2,500,000	**5,000,000**	5,094,862	**94,862**	41
Total revenue from exchange transactions	**21,979,506**	**4,482,271**	**26,461,777**	**27,661,118**	**1,199,341**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	19,472,000	787,404	**20,259,404**	20,978,293	**718,889**	41
Transfer revenue						
Government grants & subsidies	240,444,000	741,305	**241,185,305**	326,640,731	**85,455,426**	41
Traffic fines	8,522,000	(4,521,999)	**4,000,001**	6,407,840	**2,407,839**	41
Total revenue from non-exchange transactions	**268,438,000**	**(2,993,290)**	**265,444,710**	**354,026,864**	**88,582,154**	
Total revenue	**290,417,506**	**1,488,981**	**291,906,487**	**381,687,982**	**89,781,495**	
Expenditure						
Employee related costs	(189,390,855)	15,743,899	**(173,646,956)**	(170,527,255)	**3,119,701**	
Remuneration of councillors	(24,535,374)	566,015	**(23,969,359)**	(27,080,324)	**(3,110,965)**	
Depreciation and amortisation	-	-	**-**	(163,854,554)	**(163,854,554)**	41
Finance costs	(30,000)	(600,000)	**(630,000)**	(2,912,523)	**(2,282,523)**	41
Debt impairment	(28,961,000)	17,174,973	**(11,786,027)**	(12,996,187)	**(1,210,160)**	41
Bulk Purchases	(1,901,830)	(2,192,000)	**(4,093,830)**	(4,829,257)	**(735,427)**	41
General Expenses	244,819,059	(30,692,887)	**214,126,172**	(53,977,454)	**(268,103,626)**	41
Total expenditure	**-**	**-**	**-**	**(436,177,554)**	**(436,177,554)**	
Operating deficit	**290,417,506**	**1,488,981**	**291,906,487**	**(54,489,572)**	**(346,396,059)**	
Loss on disposal of assets	-	-	**-**	(5,903,054)	**(5,903,054)**	41
Actuarial gains or (losses)	-	-	**-**	(4,167,553)	**(4,167,553)**	
Revaluation losses	-	-	**-**	(333,420,088)	**(333,420,088)**	
	-	**-**	**-**	**(343,490,695)**	**(343,490,695)**	
Deficit for the year	**290,417,506**	**1,488,981**	**291,906,487**	**(397,980,267)**	**(689,886,754)**	

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4,897,988	-	**4,897,988**	4,756,828	**(141,160)**	
Receivables from non-exchange transactions	19,037,985	-	**19,037,985**	18,567,138	**(470,847)**	46.14
VAT receivable	-	-	-	5,731,098	**5,731,098**	46.15
Receivables from exchange transactions	4,663,108	-	**4,663,108**	12,984,128	**8,321,020**	
Cash and cash equivalents	27,682,180	-	**27,682,180**	16,504,035	**(11,178,145)**	46.16
	56,281,261	-	**56,281,261**	**58,543,227**	**2,261,966**	
Non-Current Assets						
Investment property	421,616,024	-	**421,616,024**	159,414,313	**(262,201,711)**	46.17
Property, plant and equipment	1,550,892,241	-	**1,550,892,241**	847,506,984	**(703,385,257)**	
	1,972,508,265	-	**1,972,508,265**	**1,006,921,297**	**(965,586,968)**	
Total Assets	**2,028,789,526**	-	**2,028,789,526**	**1,065,464,524**	**(963,325,002)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	6,999,972	-	**6,999,972**	48,701,132	**41,701,160**	46.20
Employee benefit obligation	-	-	-	1,978,000	**1,978,000**	49.26
Unspent conditional grants and receipts	-	-	-	3,063,175	**3,063,175**	46.23
Provisions	9,106,001	-	**9,106,001**	-	**(9,106,001)**	46.22
Borrowings	1,571,354	-	**1,571,354**	-	**(1,571,354)**	
	17,677,327	-	**17,677,327**	**53,742,307**	**36,064,980**	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	10,610,000	**10,610,000**	49.30
Total Liabilities	**17,677,327**	-	**17,677,327**	**64,352,307**	**46,674,980**	
Net Assets	**2,011,112,199**	-	**2,011,112,199**	**1,001,112,217**	**(1,009,999,982)**	
Net Assets						
Reserves						
Revaluation reserve	-	-	-	530,213,426	**530,213,426**	
Accumulated surplus	2,011,112,199	-	**2,011,112,199**	467,618,758	**(1,543,493,441)**	
Total Net Assets	**2,011,112,199**	-	**2,011,112,199**	**997,832,184**	**(1,013,280,015)**	

Accounting Policies

1.Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Public Finance Management Act (Act 1 of 1999).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

Accounting Policies

These accounting policies are consistent with the previous period.

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, are therefore as follows:

Standards Issued and Effective

• GRAP 1 - Presentation of Financial Statements (as revised in 2010)
• GRAP 2 - Cash Flow Statements (as revised in 2010)
• GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
• GRAP 4 - The Effects of changes in Foreign Exchange Rates (as revised in 2010)
• GRAP 5 - Borrowing Costs
• GRAP 6 - Consolidated and Separate Financial Statements
• GRAP 7 - Investments in Associates
• GRAP 8 - Interests in Joint Ventures
• GRAP 9 - Revenue from Exchange Transactions (as revised in 2010)
• GRAP 10 - Financial Reporting in Hyperinflationary Economies (as revised in 2010)
• GRAP 11 - Construction Contracts (as revised in 2010)
• GRAP 12 - Inventories (as revised in 2010)
• GRAP 13 - Leases (as revised in 2010)
• GRAP 14 - Events After the Reporting Date (as revised in 2010)
• GRAP 16 - Investment Property (as revised in 2010)
• GRAP 17 - Property Plant and Equipment (as revised in 2010)
• GRAP 18 - Segment Reporting
• GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
• GRAP 20 - Related Party Disclosures
• GRAP 21 - Impairment of non-cash-generating assets
• GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
• GRAP 24 - Presentation of Budget Information in Financial Statements
• GRAP 25 – Employee Benefits
• GRAP 26 - Impairment of cash-generating assets
• GRAP 27 - Agriculture
• GRAP 31 - Intangible Assets
• GRAP 100 - Non-current Assets held for Sale and Discontinued Operations (as revised in 2010)
• GRAP 103 - Heritage Assets
• GRAP 104 - Financial Instruments
• GRAP 105 - Transfer of functions between entities under common control
• GRAP 106 - Transfer of functions between entities not under common control
• GRAP 107 - Mergers
• GRAP 108 - Statutory Receivables
• GRAP 109 - Accounting by Principals and Agents

Standards Issued, Not Yet Effective Date

• GRAP 32 - Service Concession Arrangements: Grantor
• GRAP 34 - Separate Financial Statements
• GRAP 35 - Consolidated Financial Statements
• GRAP 36 - Investments in Associates and Joint Ventures
• GRAP 37 - Joint Arrangements
• GRAP 38 - Disclosures of Interests in Other Entities
• GRAP 110 - Living and Non-living Resources

Interpretations - Approved and effective
• IGRAP 1 - Applying the Probability Test on Initial Recognition of Exchange Revenue
• IGRAP 2 - Changes in Existing Decommissioning Restoration and Similar Liabilities
• IGRAP 3 - Determining Whether an Arrangement Contains a Lease
• IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
• IGRAP 5 - Applying the Restatement Approach under the Standard of GRAP on Financial Reporting Inhyperinflationary Economies
• IGRAP 6 - Loyalty Programmes
• IGRAP 7 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
• IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
• IGRAP 9 - Distributions of Non-cash Assets to Owners

Accounting Policies

- IGRAP 10 - Assets Received from Customers
- IGRAP 11 - Consolidation - Special Purpose Entities
- IGRAP 12 - Jointly Controlled Entities - Non-Monetary Contributions
- IGRAP 13 - Operating Leases - Incentives
- IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 - Revenue - Barter Transactions Involving Advertising Services
- IGRAP 16 - Intangible Assets - Website Costs (effective 1 April 2013)
- IGRAP 17 - Service Concession Arrangements where Grantor Controls Significant Residual Interest
- IGRAP 18 - Recognition and Derecogntion of Land
- IGRAP 19 - Liabilities to Pay Levies

Interpretations – Approved and not yet effective
- IGRAP 1 - Applying the Probability Test on Initial Recognition of Revenue
- IGRAP 20 - Accounting for Adjustments to Revenue

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality and are rounded to the nearest Rand.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables are assessed individually and grouped together where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.
In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The Impairment is calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios will be similar to the historical payment ratios.
In determining the recoverability of receivables from non-exchange and receivables from exchange transactions, the municipality considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that there is no further credit provision required in excess of the debtors impairment. On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Fair value estimation

Impairment testing (Cash and non-cash generating units)

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Useful lives of property plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges of property, plant and equipment. This estimate is based on industry norm. This estimate is based on industry norm. This estimate is based on the pattern in which an assets future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	5 - 100 years

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:
- All properties held to earn market related rentals or for capital appreciation, or for both and are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties.
- Land held without determined future use.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Accounting Policies

Subsequent measurement

After initial recognition, infrastructure, community assets and operational buildings are measured using the revaluation method. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value . When an asset is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.
Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.
Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
The revaluation surplus in equity relating to a specific item infrastructure, community assets and operational buildings is transferred directly to retained earnings when the asset is derecognised.
Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	3-23 Years
Office equipment	Straight line	3-16 Years
Infrastructure		
• Roads and stormwater	Straight line	5-100 Years
Community	Straight line	
• Buildings		15-60 Years
• Recreational Facilities		15-80 Years
• Security		5 Years
• Halls		5-80 Years
• Libraries		7-60 Years
• Parks and Gardens		15-80 Years
• Other Assets		20-30 Years
Other property, plant and equipment	Straight line	
• Buildings		30-60 Years
• Specialised Vehicles		5-10 Years
• Other Vehicles		3-5 Years
• Watercraft		5-15 Years
• Bins and Containers		3-5 Years
• Specialised Plant and Equipment		10-15 Years
• Other items of Property Plant and Equipment		5-23 Years
• Computer Equipment		2-3 Years
• Plant and Machinery		5-31 Years
• Landfill Site		20-50 Years
Finance Lease	Straight line	
• Motor Vehicles		4-27 Years
• Office Eqipment		4-27 Years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Accounting Policies

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another muinicipality.
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.
A concessionary loan is a loan granted to or received by the municipality on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality's statement of financial position.
A derivative is a financial instrument or other contract with all three of the following characteristics:
Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
It is settled at a future date.
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another municipality; or
a contractual right to:
- receive cash or another financial asset from another municiplity; or
- exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
Liquidity risk is the risk encountered by the municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.
Loans payable are financial liabilities, other than short-term payables on normal credit terms.
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Accounting Policies

A financial asset is past due when a counterparty has failed to make a payment when contractually due.
A residual interest is any contract that manifests an interest in the assets of the municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.
Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.
Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Financial asset	Classification in terms of GRAP 104
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank, cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Financial liability	Classification in terms of GRAP 104
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Finance lease	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.
The municipality recognises financial assets using trade date accounting.

Accounting Policies

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.
The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.
Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.
For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The carrying amount of the asset is reduced through the use of an allowance account and the previously recognised impairment loss is reversed by adjusting the allowance account.

Financial assets

The municipality derecognises financial assets using trade date accounting.
The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the municipality:
- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.
If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.
If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit. If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.
An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.
Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.
A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

Accounting Policies

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approaches, the selection depends on the availability of data and nature of the impairment:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- the municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Accounting Policies

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from the municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;

- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Accounting Policies

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees. A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipslity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- the municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.
Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from the municipality 's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.
Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.
Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.
Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.
Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.
Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.
The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.
The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.
Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.
Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.13 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Commitments

Items are classified as commitments when the municipality has contractual future capital commitments to future transactions that will normally result in the outflow of cash as well as commitments relating to operating leases.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost and

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Accounting Policies

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Accounting Policies

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.
As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.
When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. W here a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.
Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.
The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.
The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.
Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.
Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.
Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.
Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.
Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.
Where settlement discount or reductions in the amount payable are offered , the municipality considers past history in assessing the likelihood of these discount or reductions being taken up by debtors.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Unspent conditional grants

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.
Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.
This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.17 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Expenses will be recognized when these are incurred and measured at cost excluding VAT.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal
Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is
accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for

as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.23 Budget information

Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.24 Related parties

In terms of GRAP 20 for related party disclosure, a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municpality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the municipality's financial statements to understand the effect of related party transactions on its operations.

1.25 VAT

Value Added Tax on revenue and expenditure transactions are recorded in the books of the municipality on accrual basis of accounting, however South African Revenue Services has registered and permitted the municipality to use the payment basis.

Accounting Policies

1.26 Standards and interpretations issued, but not yet effective

Figures in Rand	2019 R	2018 R

2. Inventories

Assets held for distribution	3,403,302	-
Consumable stores	1,353,526	1,353,526
	4,756,828	**1,353,526**

In the current year an amount of R 2,059,670 (2018: R 1,072,539) was expensed with respect to consumable stores.

Inventory held for distribution

Assets held for distribution relate to land on which RDP houses are built and are awaiting transfers.
No Inventory was pledged as security.

3. Receivables from exchange transactions

Gross balances		
Housing rental	7,432,045	5,602,685
Other receivables	406,713	313,630
Refuse	28,787,388	24,317,422
	36,626,146	**30,233,737**
Less: Allowance for impairment		
Housing rental	(1,618,237)	(1,618,237)
Refuse	(22,023,781)	(22,023,781)
	(23,642,018)	**(23,642,018)**
Net balance		
Housing rental	5,813,808	3,984,448
Other receivables	406,713	313,630
Refuse	6,763,607	2,293,641
	12,984,128	**6,591,719**
Reconciliation of allowance for impairment		
Balance at the beginning of the year	-	24,917,078
Contributions to allowance	-	599,589
	-	**25,516,667**
Refuse		
Current (0 -30 days)	1,378,654	423,068
31 - 60 days	640,193	414,053
61 - 90 days	629,839	387,339
91 - 120 days	623,191	388,289
121 - 150 days	613,410	382,223
> 150 days	24,003,694	22,268,861
	27,888,981	**24,263,833**
Housing rental		
Current (0 -30 days)	483,184	135,142
31 - 60 days	222,747	134,798
61 - 90 days	220,100	132,012
91 - 120 days	218,750	131,912
121 - 150 days	217,141	131,753
> 365 days	5,941,312	4,937,068
	7,303,234	**5,602,685**

Figures in Rand	2019 R	2018 R

3. Receivables from exchange transactions (continued)

Other		
> 365 days	-	313,630

4. Receivables from non-exchange transactions

Allowance for impairment - Fines	(4,685,213)	(4,685,213)
Fines	10,593,046	4,370,170
Property Rates	90,677,038	93,786,457
Allowance for impairment - Property Rates	(78,017,733)	(78,057,939)
	18,567,138	**15,413,475**

Rates		
Current (0 -30 days)	2,678,592	1,788,642
31 - 60 days	1,600,376	1,784,718
61 - 90 days	1,565,655	1,740,970
91 - 120 days	1,564,820	1,714,735
121 - 150 days	1,549,875	1,650,828
> 150 days	86,082,880	84,154,694
	95,042,198	**92,834,587**

Fines		
Current (0 -30 days)	393,600	164,400
31 - 60 days	687,000	478,000
61 - 90 days	614,100	81,300
91 - 120 days	546,900	142,300
121 - 150 days	-	35,400
> 150 days	8,745,460	3,849,300
	10,987,060	**4,750,700**

5. VAT receivable

VAT	5,731,098	3,008,262

Figures in Rand	2019 R	2018 R

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Bank balances	2,588,332	352,000
Short-term deposits	13,915,703	27,329,944
	16,504,035	**27,681,944**

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Primary Bank Account-FNB:62237497872	2,686,200	266,729	72,470	2,588,332	352,000	284,575
FNB -MSP 622 402 53188	-	-	25,068	-	-	25,068
FNB-MIG 622 402 53542	958,733	19,214,629	1,604,254	958,733	19,214,629	1,604,254
FNB-FMG 622 402 52768	1,313	288,357	1,162	1,313	288,357	1,162
FNB- T/A Intervention:62240258568	-	-	23,756	18	-	23,756
FNB-Call Acc 622 402 52198	9,820,425	7,891	357,926	9,820,425	7,891	357,926
FNB-DEAT 622 402 56471	-	-	225,786	-	-	225,786
FNB-INEG 623 617 7559	1,854,920	197,609	378,242	1,854,920	197,609	378,242
FNB-EPWP 623 456 80195	415	406	1,022	415	407	1,022
FNB-EDSMG 623 799 87640	-	6,869,798	6,904,589	-	6,869,798	6,904,589
FNB-LGSETA 623 800 69437	418,028	362,324	400,366	418,028	362,324	400,366
FNB-TOA 74737909900	856,453	388,929	-	856,454	388,929	-
FNB - 62772809904	5,397	-	-	5,397	-	-
Total	**16,601,884**	**27,596,672**	**9,994,641**	**16,504,035**	**27,681,944**	**10,206,746**

7. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	212,326,250	(52,911,937)	159,414,313	212,326,250	(47,377,455)	164,948,795

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	164,948,795	(5,534,482)	159,414,313

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	170,032,428	(1,602,447)	164,948,795

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

7. Investment property (continued)

The municipality has land and buildings, including vacant land that is classified as investment property. In terms of the Local Government Municipal Properties Rates Act (Act 6 of 2004), the municipality is required to perform a general valuation once every four (4) years.
The investment property held in the books of the municipality is not actively traded as the mandate of the municipality also includes local economic development. As such properties may be earmarked for local economic development. Thus, their trade value will be based on the proposal that impacts positively on economic growth. Land that is sitting as investment properties is not depreciated, only the buildings component of the investment properties is depreciated.

8. Property, plant and equipment

	2019			2018 Restated		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Community	81,264,568	(45,959,601)	35,304,967	133,562,824	(29,178,301)	104,384,523
Furniture and fixtures	11,020,160	(9,399,532)	1,620,628	5,784,604	(4,571,028)	1,213,576
Infrastructure	1,674,465,959	(974,332,532)	700,133,427	1,197,047,563	(599,859,467)	597,188,096
Land	60,740,527	-	60,740,527	75,158,145	-	75,158,145
Motor vehicles	12,118,877	(6,549,093)	5,569,784	14,602,108	(9,128,254)	5,473,854
Office equipment	-	-	-	6,444,147	(5,012,796)	1,431,351
Other property, plant and equipment	174,586	(159,966)	14,620	633,522	(527,672)	105,850
Plant and machinery	13,192,726	(9,029,758)	4,162,968	15,136,014	(9,374,838)	5,761,176
Work in progress	39,960,063	-	39,960,063	29,619,387	-	29,619,387
Total	**1,892,937,466**	**(1,045,430,482)**	**847,506,984**	**1,477,988,314**	**(657,652,356)**	**820,335,958**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Revaluations losses	Revaluation gains	Depreciation	Total
Community	104,384,523	-	(18,369)	10,337,735	(76,927,974)	5,610,442	(8,081,390)	35,304,967
Furniture and fixtures	2,644,927	261,546	(132,668)	-	-	-	(1,153,177)	1,620,628
Infrastructure	597,188,096	-	(6,468,277)	49,795,487	(265,261,015)	471,956,568	(147,077,432)	700,133,427
Land	75,158,145	-	-	-	(41,598,862)	27,181,244	-	60,740,527
Motor vehicles	5,473,854	2,447,618	(1,342,002)	-	-	-	(1,009,686)	5,569,784
Plant and machinery	5,761,176	37,800	(690,544)	-	-	-	(945,464)	4,162,968
Other property, plant and equipment	105,850	-	(38,307)	-	-	-	(52,923)	14,620
Work in progress	29,619,387	70,473,898	-	(60,133,222)	-	-	-	39,960,063
	820,335,958	**73,220,862**	**(8,690,167)**	**-**	**(383,787,851)**	**504,748,254**	**(158,320,072)**	**847,506,984**

Reconciliation of property, plant and equipment - 2018

Community	112,469,168	695,233	(572,835)	-	(8,207,043)	104,384,523
Furniture and fixtures	1,634,319	70,625	(4,141)	-	(487,227)	1,213,576
Infrastructure	755,129,340	661,260	(2,205,734)	660,005	(158,056,775)	597,188,096
Land	75,158,145	-	-	-	-	75,158,145
Motor vehicles	6,386,429	-	-	-	(912,575)	5,473,854
Office equipment	1,955,289	96,096	(20,626)	-	(599,408)	1,431,351
Plant and machinery	6,687,340	13,900	(734)	-	(939,330)	5,761,176
Other property, plant and equipment	159,604	-	(554)	-	(53,200)	105,850
Work in progress	14,641,141	16,638,251	-	,660,005)	-	29,619,387
	974,220,775	**18,175,365**	**(2,804,624)**	**-**	**(169,255,558)**	**820,335,958**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Figures in Rand	2019 R	2018 R

9. Payables from exchange transactions

Advance payment - consumer debtors	429,027	240,237
Bonus accrual	4,170,635	7,122,864
Leave accrual	15,109,997	15,109,997
Other Creditors	-	252,212
Payroll control	-	765,667
Retention payable	3,867,386	1,397,705
Trade payables	17,983,591	27,172,826
Unallocated deposit	7,140,496	6,246,071
	48,701,132	**58,307,579**

10. Payables from non-exchange transactions

Payments received in advance - Property rates	-	1,960,274

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Department of Minerals and Energy (Electricity Demandside Management)	-	6,870,040
Department of Minerals and Energy (Electrification)	1,670,016	196,609
Intervention	-	(18)
Local Government (LGSETA)	472,988	362,380
Municipal Finance Management Grant (FMG)	-	285,926
Municipal Infrastructure Grant (MIG)	920,171	19,114,144
	3,063,175	**26,829,081**

Movement during the year

Balance at the beginning of the year	26,829,081	9,483,213
Additions during the year	75,703,808	49,857,320
Income recognition during the year	(92,194,401)	(32,511,452)
Roll -over not approved	(7,196,592)	-
	3,141,896	**26,829,081**

The above note presents the nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited as well as unfulfilled conditions or other contingencies attached to government assistance that has been recognised.

See note 22 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment account until utilised.

Figures in Rand	2019 R	2018 R

12. Revaluation reserve

The revaluation reserve is not distributable, given that this is a municipality.

Opening balance	106,258,917	137,919,767
Change during the year	423,954,510	(31,660,850)
	530,213,427	**106,258,917**

13. Provisions

Reconciliation of provisions - 2019

Reconciliation of provisions - 2018

	Opening Balance	Utilised during the year	Total
Bonus Provision	652,754	(652,754)	-

14. Service charges

Refuse removal	4,655,997	4,686,654

15. Rental of facilities and equipment

Rental of flats	2,651,041	2,495,065
Hall hire	-	98,746
	2,651,041	**2,593,811**

16. Interest on outstanding debtors

Interest on debtors	9,225,982	7,994,116

17. Income from agency fees

Income from agency fees	3,524,624	3,204,571

18. Other income

Building plan fees	13,644	80,844
Business licences	-	52,549
Cemetery fees	5,353	41,722
Clearance Certificate Fees	44	2,540
Commission Received	-	185,521
Other income	651,688	108,335
Rank permit	-	2,281
Tender Fees	120,847	371,811
Under / over banking	-	127,255
	791,576	**972,858**

19. Interest received - Investment

Interest revenue		
Bank	5,094,862	3,585,521

Figures in Rand	2019 R	2018 R

20. Municipal - Licences and permits

Licences and permits	1,313,257	888,669

21. Property rates

Rates charged

Property rates	20,978,293	21,380,430
Less: Rebates	-	(169,155)
	20,978,293	**21,211,275**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 September 2018.
Interim valuations are conducted at least once on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Tariffs are applied as follows:

Residential
A general rate of R0.01178 - (2018 - R0.01178) is applied to residential property valuations to determine assessment rates. Rebates are granted to all residential property owners.

Business and Commercial
A general rate of R0.01414 - (2018 - R0.01414) is applied to business and commercial property valuations to determine assessment rates.

Vacant
A general rate of R0.01414 - (2018 - R0.01414) is applied to vacant property valuations to determine assessment rates.

State Owned
A general rate of R0.00295 - (2018 - R0.00295) is applied to state owned property valuations to determine assessment rates.

Small Holdings and Farms
A general rate of R0.00295- (2018 - R0.00295) is applied to small holdings and farm property valuations to determine assessment rates.

Industrial
A general rate of R0.01414 - (2018 - R0.01414) is applied to industrial property valuations to determine assessment rates.

Rebates
Rebates are granted to property owners in accordance with a variety of social and economic factors as described in the Municipality's Property Rates Policy.

Figures in Rand	2019 R	2018 R

22. Government grants and subsidies

Operating grants

DEAT Investment Grant	-	224,691
Equitable Share	234,367,609	227,129,000
Extended Public Works Programme	1,308,000	2,316,000
Finance Management Grant	1,985,926	1,414,074
LG SETA	93,200	184,356
Municipal Support Programme	-	24,946
T/A Intervention	-	23,641
	237,754,735	231,316,708
Capital grants		
Intergrated National Electrifiction Programme (INEP)	16,340,024	5,175,802
Municipal Infrastructure Grant (MIG)	72,545,972	23,147,943
	88,885,996	28,323,745
	326,640,731	**259,640,453**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as the operations of the municipality.
All registered indigents receive the following subsidies:
1. For all electricity beneficiaries, 50 KW per month
2. Rebates of R20,000 are granted to residential property owners.

Municipal Infrastructure Grant (MIG)

Balance unspent at the beginning of the year	19,114,144	1,569,086
Current year - receipts	61,352,000	40,693,000
Conditions met - transferred to revenue	(72,545,972)	(23,147,942)
Roll -over not approved	(7,000,000)	-
	920,172	**19,114,144**

Municipal Support Programme (MSP)

Balance unspent at the beginning of the year	-	24,946
Conditions met - transferred to revenue	-	(24,946)
	-	-

T/A Intervention

Balance unspent at the beginning of the year	-	23,623
Conditions met - transferred to revenue	-	(23,623)
	-	-

Local Government (LGSETA)

Balance unspent at the beginning of the year	362,380	398,416
Current year - receipts	203,808	148,320
Conditions met - transferred to revenue	(93,200)	(184,356)
	472,988	**362,380**

Department of Energy (EDM)

Balance unspent at the beginning of the year	6,870,040	6,870,040

Figures in Rand	2019 R	2018 R

22. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(6,870,040)	-
	-	**6,870,040**

DEAT Investment

Balance unspent at the beginning of the year	-	224,691
Conditions met - transferred to revenue	-	(224,691)
	-	-

Finance Management Grant (FMG)

Balance unspent at the beginning of the year	285,926	-
Current year - receipts	1,700,000	1,700,000
Conditions met - transferred to revenue	(1,985,926)	(1,414,074)
	-	**285,926**

Expanded Public Works Programme (EPWP)

Current year - receipts	1,308,000	2,316,000
Conditions met - transferred to revenue	(1,308,000)	(2,316,000)
	-	-

Intergrated National Electrification Programme (INEP)

Balance unspent at the beginning of the year	196,609	372,411
Current year - receipts	11,140,000	5,000,000
Conditions met - transferred to revenue	(9,391,263)	(5,175,802)
Roll-over not approved	(196,609)	-
	1,748,737	**196,609**

23. Revenue

Agency services	3,524,624	3,204,571
Government grants & subsidies	326,640,731	259,640,453
Interest received - investment	5,094,862	3,585,521
Interest received outstanding debtors	9,225,982	7,994,116
Licences and permits	1,313,257	888,669
Other income	1,195,355	972,858
Property rates	20,978,293	21,211,275
Rental of facilities and equipment	2,651,041	2,593,811
Service charges	4,655,997	4,686,654
Traffic fines	6,407,840	6,479,405
	381,687,982	**311,257,333**

The amount included in revenue arising from exchanges of goods or services are as follows:

Agency services	3,524,624	3,204,571
Interest earned on outstanding debtors	9,225,982	7,994,116
Interest received - investment	5,094,862	3,585,521
Licences and permits	1,313,257	888,669
Other income	1,195,355	972,858
Rental of facilities and equipment	2,651,041	2,593,811
Service charges	4,655,997	4,686,654
	27,661,118	**23,926,200**

Figures in Rand	2019 R	2018 R

23. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	20,978,293	21,211,275
Transfer revenue		
Traffic fines	6,407,840	6,479,405
Government grants & subsidies	326,640,731	259,640,453
	354,026,864	**287,331,133**

Figures in Rand	2019 R	2018 R

24. Employee related costs

13th Cheques	7,222,914	10,446,886
Acting allowances	269,029	326,096
Basic Salary	123,183,943	123,205,763
Cellphone allowances	584,180	394,637
Holiday Bonus	-	21,700
Housing benefits and allowances	128,855	126,057
Leave pay provision charge	1,911,225	994,006
Medical aid	8,935,711	8,624,669
Other allowances	88,435	2,690,383
Overtime payments	1,947,737	318,525
Pension fund contribution	21,026,021	21,476,831
Performance Bonus	-	(11,510)
SALGA Levy	49,998	49,558
Skills Development Levy	1,614,248	1,652,482
Travel, motor car, accommodation, subsistence and other allowances	2,728,798	7,201,147
Unemployment Insurance Fund	836,161	866,371
Workmens compensation	-	945,204
	170,527,255	**179,328,805**

Remuneration of Municipal Manager - S Mahlasela

Annual Remuneration	792,044	191,964
Backpay	28,794	35,549
Cellphone Allowance	106,466	25,746
Contributions to Pension Fund	213,731	51,830
Travel Allowance	207,833	50,400
UIF	1,785	446
	1,350,653	**355,935**

Municipal Manager, S Mahlasela was appointed on 26 March 2018.

Remuneration of Chief Financial Officer - L. Manjingolo

Annual Remuneration	-	170,293
Backpay	-	7,025
Cellphone Allowance	-	4,848
Contributions to Pension Fund	-	57,016
Travel Allowance	-	27,750
Leave Pay	-	336,334
Performance Bonuses	-	75,865
UIF	-	595
	-	**679,726**

Former Chief Financial Officer L. Manjingolo's contract came to an end on 31 October 2017.

Remuneration of Chief Financial Officer - M Matomane

Annual Remuneration	647,432	49,814
Back pay	23,537	-
Cellphone Allowance	35,720	2,731
Contributions to Pension Fund	174,708	13,450
Contributions to Medical Aid	41,814	3,219
Travel Allowance	179,379	13,810
UIF	1,785	149
	1,104,375	**83,173**

Chief Financial Officer, Mr M Matomane was appointed on 4 June 2018.

Figures in Rand	2019 R	2018 R

24. Employee related costs (continued)

Remuneration of Director of Strategic Management - L. Nonyongo

Annual Remuneration	-	623,149
Backpay	-	9,071
Cellphone Allowance	-	85,215
Contributions to Pension Fund	-	92,682
Medical Aid	-	54,479
Performance Bonuses	-	130,616
Travel Allowance	-	183,057
UIF	-	1,636
	-	**1,179,905**

Former Director of Strategic Management, L. Nonyongo's contract came to an end in March 2018.

Remuneration of the Director of Corporate Services - D. Mrwetyana

Annual Remuneration	-	623,149
Backpay	-	9,071
Cellphone allowance	-	92,940
Contributions to Pension Fund	-	93,472
Medical Aid	-	36,296
Performance Bonuses	-	108,847
Re-imbursive Travel	-	6,434
Subsistence Allowance	-	280
Travel Allowance	-	196,427
UIF	-	1,636
	-	**1,168,552**

Former Director of Corporate Services, D. Mrwetyana's contract came to an end in March 2018.

Remuneration of Director of Infrastructure - K. Clock

Annual Remuneration	-	547,577
Backpay	-	9,071
Cellphone Allowance	-	58,039
Leave Pay	-	242,293
Pension Fund	-	137,392
Performance Bonuses	-	130,616
Re-imbursive Travel	-	9,656
Subsistence & Travel	-	755
Travel Allowance	-	105,091
UIF	-	1,338
	-	**1,241,828**

Former Director of Infrastructure, K. Clock's contract came to an end and in March 2018.

Remuneration of the Director of Local Economic Development - P. Madolo

Annual Remuneration	-	623,149
Backpay	-	9,071
Cellphone allowance	-	24,164
Medical Aid	-	94,325
Pension Fund	-	168,250
Performance Bonuses	-	87,078
Re-imbursive Travel	-	260
Subsistence & Travel	-	5,201
Travel Allowance	-	128,694
UIF	-	1,636

Figures in Rand	2019 R	2018 R

24. Employee related costs (continued)

	-	**1,141,828**

Former Director of Local Economic Development, P Madolo's contract came to an end in May 2018.

Figures in Rand	2019 R	2018 R

24. Employee related costs (continued)

Remuneration of the Director of Community Services - Z Plata

Annual Remuneration	-	508,859
Backpay	-	9,071
Cellphone Allowance	-	58,043
Contributions to UIF, Medical and Pension Funds	-	137,392
Leave Pay	-	324,582
Medical Aid	-	38,713
Performance Bonuses	-	119,732
Subsistence Allowance	-	1,552
Travel Allowance	-	105,091
UIF	-	1,338
	-	**1,304,373**

Former Director of Community Services, Z. Plata's contract came to an end in March 2018.

Acting Chief Financial Officer - S Marandu

Acting Allowance	-	13,267

Former Acting Chief Financial Officer, S Marandu's contract came to an end in July 2018.

Remuneration of Director of Strategic Management - S Benya

Annual Remuneration	647,432	52,305
Backpay	23,537	-
Cellphone Allowance	26,706	2,139
Contributions to Pension Fund	171,045	10,461
Contributions to Medical Aid	83,752	6,770
Travel Allowance	133,990	15,500
UIF	1,785	149
	1,088,247	**87,324**

Director of Strategic Management, S Benya was appointed on 21 May 2018. Furthermore, it should noted that Ms S Benya received a pro-rata bonus of R 42,879 and leave payout of R 179,943 based on her previous permanent employment with the municipality before filling her role as Director of Strategic Management.

Remuneration of the Director of Corporate Services - S Caga

Annual Remuneration	647,432	52,305
Backpay	23,537	37,361
Travel Allowance	185,565	15,000
Cellphone Allowance	76,215	5,000
Contributions to Pension Fund	129,413	14,870
Contributions to Medical Aid	40,428	-
UIF	1,785	149
	1,104,375	**124,685**

Director of Corporate Services, Adv. S Caga was appointed on 21 May 2018.

Remuneration of Director of Infrastructure - Z Ntile

Annual Remuneration	647,432	52,305
Backpay	23,537	29,058
Cellphone Allowance	79,018	6,368
Contributions to Pension Fund	174,708	14,122

Figures in Rand	2019 R	2018 R

24. Employee related costs (continued)

Contributions to Medical Aid	41,814	3,380
Travel Allowance	136,081	11,000
UIF	1,785	149
	1,104,375	**116,382**

Director of Infrastructure, Z Ntile was appointed on 23 May 2018.

Remuneration of the Director of Community Services - M Kibi

Annual Remuneration	647,432	132,008
Backpay	23,537	446
Cellphone Allowance	60,974	12,389
Contributions to Pension Fund	166,525	33,973
Leave pay	-	33,318
Travel Allowance	204,122	41,643
UIF	1,785	-
	1,104,375	**253,777**

Director of Community Services, M Kibi was appointed on 21 May 2018. Furthermore, it should noted that Mr M Kibi received a pro-rata bonus of R 32,484 and leave payout of R 165,280 based on his previous permanent employment with the municipality before filling his role as Director of Community Services.

Remuneration of Director of Local Economic Development and Planning - M Dilika

Annual remuneration	647,432	-
Backpay	23,537	-
Cellphone allowance	77,881	-
Contributions to Medical aid	49,138	-
Contributions to Pension Fund	174,707	-
Travel allowance	129,895	-
UIF	1,785	-
	1,104,375	**-**

Director of Local Economic Development and planning, M Dilika was appointed in July 2018.

25. Remuneration of councillors

Executive Mayor	879,461	840,313
Chief Whip	665,213	641,336
Speaker	715,001	681,131
Mayoral Committee Members	4,653,577	4,501,038
Other Councillors	20,167,072	19,227,136
	27,080,324	**25,890,954**

26. Finance costs

Actuarial interest	2,340,230	1,160,000
Finance cost - Leases	-	2,583
Interest on overdue accounts	572,293	1,281,589
	2,912,523	**2,444,172**

27. Depreciation and amortisation

Investment property	5,534,482	1,602,447
Property, plant and equipment	158,320,072	180,602,932
	163,854,554	**182,205,379**

Figures in Rand	2019 R	2018 R

28. Repairs and maintenance

Repairs and maintenance	4,167,553	2,259,234

29. Debt impairment

Receivables from non exchange transactions	-	14,304,522
Receivables from exchange transactions	-	(2,061,525)
Bad debts written off	-	50,622
	12,996,187	**12,293,619**

30. General expenses

Advertising	811,251	608,229
Auditors remuneration	4,787,148	3,825,113
Bank charges	406,495	439,462
Car licenses and registrations	9,473,923	6,662,080
Civic functions	192,139	-
Civic functions	-	139,186
Cleaning	-	1,787,386
Community development and training	-	81,412
Computer expenses	-	1,320
Conferences and seminars	-	4,814
Consumables	3,098,025	458,707
Electricity	2,787,875	1,844,575
First aid materials	-	345
Fleet management system	-	83,822
Fuel and oil	1,828,930	2,707,702
Hire of equipment	306,230	79,778
IT expenses	-	6,357
Insurance	-	532,116
Legal fees	4,439,181	6,375,959
Membership fees	-	13,329
Operating lease	1,483,860	1,243,765
Operating project expenditure	4,103,667	5,427,016
Post and telecommunications	4,600,983	6,996,665
Printing and stationery	-	748,885
Professional fees	4,941,589	640,530
Refuse bags	1,574,733	904,782
Security	803,250	303,745
Subsistence and travelling	843,882	1,480,110
Sundry expenses	7,386,613	12,316,567
Tools and equipment expenses	-	7,264
Uniform and protective clothing	107,680	1,648
Water consumption	-	1,650,784
	53,977,454	**57,373,453**

Figures in Rand	2019 R	2018 R

31. Cash generated from operations

Deficit	(398,152,568)	(160,770,225)
Adjustments for:		
Depreciation and amortisation	163,854,554	182,205,379
Loss on disposal of assets	5,903,054	2,650,842
Actuarial interest	2,340,230	55,358,718
Finance costs - Finance lease	-	2,583
Debt impairment	12,996,187	12,293,619
Movements in employee benefit obligation	(1,910,669)	(292,669)
Movements in provisions	-	(652,754)
Actuarial (gains)/ losses	-	-
Other non-cash items	270,411,382	(17,345,868)
Changes in working capital:		
Inventories	3,403,302	735,954
Receivables from non-exchange transactions	18,567,138	2,863,678
Receivables from exchange transactions	-	13,956,896
Consumer debtors	12,984,128	(27,990,300)
Payables from exchange transactions	48,701,132	6,527,982
VAT	3,063,175	(20,944,607)
Payables from non-exchange transactions	-	(496,556)
Unspent conditional grants and receipts	-	17,345,868
Other non-cash items	-	(2)
	142,161,045	**65,448,538**

32. Grants and subsidies expenditure

Electrification of Ngcisininde	-	4,529,760
Operation clean audit	-	825,718
Training of staff & council	-	279,075
	-	**5,634,553**

33. Loss on disposal of assets

Gains/ (losses) arising from assets disposed during the year	(5,903,054)	(2,650,842)

34. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	15,987,110	15,987,110
Receivables from non-exchange transactions	40,745,977	40,745,977
Cash and cash equivalents	31,775,300	31,775,300
	88,508,387	**88,508,387**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	47,777,243	47,777,243
Bank overdraft	37,235,156	37,235,156
	85,012,399	**85,012,399**

Figures in Rand	2019 R	2018 R

. Financial instruments disclosure (continued)

2018

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	6,591,719	6,591,719
Receivables from non-exchange transactions	15,413,475	15,413,475
Cash and cash equivalents	27,681,944	27,681,944
	49,687,138	**49,687,138**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	61,834,544	61,834,544
Payable from non-exchange transactions	1,960,274	1,960,274
	63,794,818	**63,794,818**

35. Auditors' remuneration

Fees	4,787,148	3,825,113

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Capital	9,999,615	45,673,310
Total capital commitments		
Already contracted for but not provided for	9,999,615	45,673,310

Figures in Rand	2019 R	2018 R

37. Related parties

Relationships	
Municipal Manager	S Mahlasela - Refer to Note 24
Chief Financial Officer	M Matomane - Refer to Note 24
Director of Strategic Management	S Benya - Refer to Note 24
Director of Corporate Services	S Caga - Refer to Note 24
Director of Infrastructural Planning & Development	Z Ntile - Refer to Note 24
Director of Community Services	M Kibi - Refer to Note 24
Director of Local Economic Development	M Dilika - Refer to Note 24
Executive Mayor	S Ncetezo - Refer to Note 25
Speaker	K Bikitsha - Refer to Note 25
Chief Whip	NR Tshona - Refer to Note 25
Exco Councillors	L Mgandela - Refer to Note 25
	T.Nkamisa - Refer to Note 25
	N.Sheleni - Refer to Note 25
	N.Layiti - Refer to Note 25
	N.Plaatjie - Refer to Note 25
	M.E Ntshonga - Refer to Note 25
	N.P Dube - Refer to Note 25
	T.P Ntanga - Refer to Note 25
	N.Jiya - Refer to Note 25
	C Mtsi - Refer to Note 25
	S Mkiva - Refer to Note 25

Figures in Rand	2019 R	2018 R

37. Related parties (continued)

Councillors	N Lusizi - Refer to Note 25
	TH Mpeta - Refer to Note 25
	NM Mpambani - Refer to Note 25
	N Ntolosi - Refer to Note 25
	N Thandaphi - Refer to Note 25
	Z Sobekwa - Refer to Note 25
	SL Mafanya - Refer to Note 25
	N Monakali - Refer to Note 25
	NN Nqolomlilo - Refer to Note 25
	Z Siyo - Refer to Note 25
	AA Krakri - Refer to Note 25
	LS Sobekwa- Refer to Note 25
	GN Nombila - Refer to Note 25
	B Kave - Refer to Note 25
	ZC Mfazwe - Refer to Note 25
	TZ Xhongwana - Refer to Note 25
	G Guqaza - Refer to Note 25
	NH Kendle - Refer to Note 25
	T Ntyinkala - Refer to Note 25
	KG Magwaca - Refer to Note 25
	NG Ndongeni - Refer to Note 25
	M Mkhilili - Refer to Note 25
	L Tsipa - Refer to Note 25
	M Ndungane - Refer to Note 25
	M Mxhoko - Refer to Note 25
	SN Tshazi - Refer to Note 25
	WW Mbadlanyana - Refer to Note 25
	XI Pupuma - Refer to Note 25
	WM Ntongana - Refer to Note 25
	Z Bomela - Refer to Note 25
	MZ Mnqwazi - Refer to Note 25
	Z Gade - Refer to Note 25
	ZA Mqolo - Refer to Note 25
	ML Mtalo - Refer to Note 25
	Z Mnqokoyi - Refer to Note 25
	NL Zaba - Refer to Note 25
	NQ Sukwana - Refer to Note 25
	Y Mngonyama - Refer to Note 25
	NH Skelenge - Refer to Note 25
	S Matutu - Refer to Note 25
	S Ncetezo - Refer to Note 25
	NW Mbeki - Refer to Note 25
	A Finca - Refer to Note 25
	L Mbentsula - Refer to Note 25
	S Lilise - Refer to Note 25
	TC Nkutu - Refer to Note 25
	AB Madikane - Refer to Note 25
	V Nkehle - Refer to Note 25
	T Makeleni - Refer to Note 25
	P Nguza - Refer to Note 25
Traditional leaders	NS Ngxiya - Refer to Note 25
	VL Mbasa - Refer to Note 25
	M Magodla - Refer to Note 25
	M Nguza - Refer to Note 25
	N Nyhila- Refer to Note 25
	WM Mahlangeni - Refer to Note 25
	B Vuso - Refer to Note 25
	ZM Dyantyi - Refer to Note 25
	D Mpangele - Refer to Note 25
	Nomlindelo VG Dondashe - Refer to Note 25
	BL Ntleki - Refer to Note 25
Ward committee	N Langa - Refer to Note 25

Figures in Rand	2019 R	2018 R

37. Related parties (continued)

SMME and LED partnerships	PN Mhaga - Refer to Note 25
General assistant: EPWP	S Maputeni - Refer to Note 25
Registry assistant	MT Gqirhana - Refer to Note 25
IDP Coordinator	N Mbangeni - Refer to Note 25

Related party transactions

	2019 R	2018 R
Purchases from related parties		
NL Zaba Ordinary Councillor is business partner in Ingelosi Trading 239	-	29,117
N Langa Ward Committee is a business partner in Beetroot Trading & Projects	6,302	417,200
PN Mhaga SMME & LED Partnerships is a business partner in Fafola Trading CC	-	9,121
N Langa Ward Committee is a business partner in Themba Labafazi Primary Co-Op	253,000	78,100
NL Zaba Ordinary Councillor is business partner in Eastern Cape Agriservice	-	62,854
N Layiti full-time Mayoral Committee Member is a business partner in Great 7 Trading Property Limited	1,600	2,850
S Maputeni General Assistant:EPWP is a business partner in Big Event Boy	-	203,500
MT Gqirana Registry Assistant is a business partner in Madoc Holdings	-	2,100
N Mbangeni IDP Co-ordinator is a business partner in Nophemba Holdings Proprietary Limited	-	1,714,560
NP Mithi Part-time Mayoral Committee Member is a business partner in Sonke Solid Waste Primary Co-Op	-	565,440
Z Mbikwana the debtors clerk - Her brother, Z Makuala owns Tokizone	29,800	-
N Layiti, a full-time Mayoral Committee Member is a business partner with PL Tshevu who owns Notha Business Enterprise	9,000	-
Related parties within the institution		
T Bikitsha is an Ordinary Councillor and is the wife of BGS Bikitsha, the Land Use Planning Manager	-	933,467
S Phikelela is the PMS Co-ordinator and the wife of former Chief Financial Officer, L Manjingolo	-	549,408
N Plaatjie is an Ordinary Councillor and the sister of SIR Plaatjie, the Helpdesk Operator	-	278,191
N Sheleni is a Full-time Mayoral Committee Member and is the mother of N Sheleni, a General Assistant	-	184,807

38. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through through maintenance of cash balances.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	477,777,243	-	-	-
Unspent conditional grants and receipts	3,141,896	-	-	-
	480,919,139	**-**	**-**	**-**

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	61,834,544	-	-	-
Payables from non-exchange	1,960,274	-	-	-
Unspent conditional grants and receipts	26,829,081	-	-	-
	90,623,899	**-**	**-**	**-**

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Receivable from non exchange transactions	40,745,977	15,413,475
Receivables from exchange transactions	15,987,110	6,591,719
Cash and cash equivalents	31,775,300	27,681,944

39. Unauthorised expenditure

	2019	2018
Opening balance	276,391,923	245,212,988
Add: Unauthorised Expenditure - current year	-	31,178,935
Less: Amounts Approved by Council or condoned	(276,391,923)	-
Less: Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-
Balance at year end	**-**	**276,391,923**

Figures in Rand	2019 R	2018 R

40. Fruitless and wasteful expenditure

Opening balance	4,896,376	3,924,030
Add: Fruitless & Wasteful Expenditure - current year	827,078	972,346
Less: Condoned or written off by Council	(4,175,470)	-
Less: To be recovered contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
Balance at year end	**1,547,984**	**4,896,376**

41. Irregular expenditure

Opening balance	471,389,885	423,947,308
Add: Irregular Expenditure - current year	21,909,109	47,442,577
Less: Approved by Council or condoned	(461,482,589)	-
Less: Amounts recoverable (not condoned)	-	-
Less: Irregular expenditure awaiting authorisation	-	-
Balance at year end	**31,816,405**	**471,389,885**

Details of irregular expenditure - 30 June 2019

	Disciplinary steps taken/criminal proceedings	
Non-compliance with Preferential Procurement Regulation 4(3)		8,637,884
Non-compliance with Preferential Procurement Regulation 6(8)		3,233,918
Non-compliance with Regulation 9(1) of the Preferential Procurement Regulations		1,946,685
Non-compliance with Regulation 32 of the Municipal SCM Regulations		1,468,144
Non-compliance with Regulation 45 of the Municipal SCM Regulations		88,175
Non-compliance with Regulation 12(1)(c), 17(a) - 17(c) & 36(2) of the Municipal SCM Regulations		6,211,291
Non-compliance with Regulation 5 of the Municipal SCM Regulations		323,012
		-
		21,909,109

Figures in Rand		2019 R	2018 R

41. Irregular expenditure (continued)

Details of irregular expenditure - 30 June 2018

	Disciplinary steps taken/criminal proceedings	
Non-compliance Regulation 11(1)(a) of Municipal SCM Regulations - No SCM process followed to procure goods and services.		3,981
Non-compliance with Regulation 29(2)(ii) of Municipal SCM Regulations - No SCM representative on the BAC.		607,607
Non-compliance with Section 65(2)(a) of MFMA		95,746
Non-compliance with Regulation 11(1)(a) of Municipal SCM Regulations - No SCM process followed to procure goods and services.		20,107
Non-compliance with Regulation 11(1)(a) of Municipal SCM Regulations - No SCM process followed to procure goods and services.		23,604
Non-compliance with Regulation 11(1)(d) of Municipal SCM Regulations - No contract in place with the successful bidder.		475,121
Non-compliance with Regulation 13(c) of Municipal SCM Regulations- Non -disclosure connection between the service provider/supplier and the Municipality Staff Member on declaration of interest.		857,280
Non-compliance with Regulation 29(2)(ii) of Municipal SCM Regulations - No SCM representative on the BAC.		1,060,280
Non-compliance with Section 65(2)(a) of MFMA - No evidence of CSD check.		51,990
Non-compliance with Section 65(2)(a) of MFMA - No evidence of payment vouchers supporting payment of expenditure incurred.		15,730
Non-compliance with Section 65(2)(a) of MFMA - No purchase order.		9,000
Non-compliance with Preferential Procurement Regulation 4(3)		8,129,552
Non-compliance with Preferential Procurement Regulation 9(1)		5,175,802
Non-compliance with Regulation 11(1)(a) of Municipal SCM Regulations - No SCM process followed to procure goods and services.		18,553
Non-compliance with Regulation 11(1)(a) of Municipal SCM Regulations - No SCM process followed to procure goods and services.		221,725
Non-compliance with Regulation 11(1)(d) of Municipal SCM Regulations - No contract in place with the successful bidder.		2,356,928
Non-compliance with Regulation 12(3) of Municipal SCM Regulations - Deliberate splitting of goods to avoid procurement processes.		60,623
Regulation 13(c) of Municipal SCM Regulations- Non -disclosure connection between the service provider/supplier and the Municipality Staff Member on declaration of interest.		1,179,726
Non-compliance with Regulation 36 of Municipal SCM Regulations		288,528
Non-compliance with Regulation 36(1) of Municipal SCM Regulations - Deviations did not meet the criteria to dispense with SCM processes/ Section 17 of SCM Regulations		857,144

Figures in Rand	2019 R	2018 R

41. Irregular expenditure (continued)

Non-compliance with Regulation 38(1)(c) of the Municipal SCM Regulations - Payments made to prohibited supplier.		1,530
RNon-compliance with Regulation 6(1) of Preferential Procurement Regulation - Preferential point scoring not applied.		60,000
Non-compliance with Regulation 6(8) of Preferential Procurement Regulation - Highest preference point scorer was not selected.		5,740,177
Non-compliance with Regulation 6(8) of Preferential Procurement Regulation - Preferential point scoring incorrect.		62,854
Non-compliance with Regulation 8(1) of Preferential Procurement Regulation - Local content production and content assessment was not considered during procurement even though the contract relates to the supply of commodities that have been designated for local production and content per the PPR		23,239
Non-compliance with SCM Regulation 17(c) & 36(2)		96,126
Non-compliance with SCM Regulation 32		2,242,176
Non-compliance with SCM Regulation 12(1)(c) & 17(a) - 17(c) & 36(2)		16,804,486
Non-compliance with Municipal SCM Regulations 11(1)(a)		55,998
Non-compliance with Section 120(4) of Municipal Finance Management Act - No feasibility study undertake for public private partnership.		68,715
Non-compliance with Section 65(2)(a) of MFMA - No evidence of CSD check.		43,181
Non-compliance with Section 65(2)(a) of MFMA - No evidence of payment vouchers supporting payment of expenditure incurred.		735,068
		47,442,577

The Council resolved on 14 December 2018 for all irregular expenditure to be investigated by the MPAC committee.

42. Deviation from Supply Chain Management Regulations

	2019 R	2018 R
Incurred during the year	11,576,275	1,980,880

Figures in Rand	2019 R	2018 R

43. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	3,101,933	93,142
Current year subscription/ fee	3,547,614	4,450,615
Amount paid - current year	(5,658,301)	(1,441,824)
Payment made by National Treasury	(2,285,566)	-
	(1,294,320)	**3,101,933**

PAYE, SDL and UIF

Opening balance	2,126,253	2,323,750
Current year subscription / fee	30,435,936	32,402,338
Amount paid - current year	(30,435,936)	(32,599,835)
	2,126,253	**2,126,253**

Pension and Medical Aid Deductions

Opening balance	-	3,714,605
Current year subscription / fee	47,529,805	47,708,044
Amount paid - current year	(47,529,805)	(51,422,649)
	-	**-**

SALGA Levy

Opening balance	-	-
Current year subscription / fee	99,986	99,165
Amount paid - current year	(99,986)	(99,165)
	-	**-**

VAT

Opening balance	13,966,159	6,978,448
Amount received - current year	-	(3,358,016)
Amount claimed - current year	-	26,175,134
VAT adjustment	-	(15,829,407)
	13,966,159	**13,966,159**

Figures in Rand	2019 R	2018 R

44. Contingencies

As at 30 June 2019, the municipality had the following contigent assets and contigent liabilities:

Cases against the municipality

	2019 R	2018 R
Case 144/19 Barricade Protection Services vs Mnquma Local Municipality Plaintiff is suing the Municipality for services rendered - Provision of security (Community services). Notice in terms of Rule 35 was filed for the other party to discover SLA as alleged.	1,350,484	-
Case 247/2019 Nondumiso Nikelo & Masande Mteto vs Mnquma Local Municipality Plaintiff is suing the Municipality for unlawful and wrongful demolishing of plaintifs dwelling structures. The municipality's plea was filed on the 8th of March 2019, matter will be set down.	634,572	-
Case 5719/18 Nangamso Mbongwana vs Mnquma Local Municipality Applicant suing the Municipality for car allowance benefit taken away by employer. Judgement was granted on 28th February 2019 in favour of the Respondent, Municipality was ordered to pay employee car allowance. Completion is dependant on whether leave to appeal is granted or not.	300,000	-
Case 490/19 Plata vs Mnquma Local Municipality Applicant is suing the Municipality for services rendered and non-payment of acting allowance. Plaintiff's attorneys have filed notice to amend particulars of claim.	445,940	-
	-	-
Case 237/19 Nontando Mvume vs Mnquma Local Municipality Municipality is sued for not maintaining streets near Msobomvu Township. Notice of Intention to defend has been filed.	150,000	-
Case No. EC/MTHA/RC337/2019 Bidvest Car Rental Proprietary Limited vs Mnquma Local Municipality Municipality is sued for services rendered and non-payment of car rental. Notice of Intention to defend has been filed.	332,791	-
Case 259/19 Mangcotywa Ndzabela Inc. vs Mnquma Local Municipality Municipality is sued for services rendered and not paid - debt collection. Notice of Intention to defend has been filed.	63,421	-
Case 3990/18 Bukubukwana Nikelo vs Mnquma Local Municipality Plaintiff is suing the Municipality for unlawful and wrongfully demolishing dwelling structures. The matter is at pre-trial stage.	300,000	-
Case 276/17 Wezile Mgidlana vs Mnquma Local Municipality Applicant is suing the Municipality for wrongful by traffic officials. Matter is on pleading stage.	350,000	-
Jerry Mashamba vs Mnquma Local Municipality Plaintiff seeks an order compelling the Municipality to assess and/or approve/rejects the requests, applications & plans that were submitted by the plaintiff with respect to the development of Erf 448. The matter is still pending.	350,000	-
Musa Nho & Others vs Mnquma Local Municipality Applicant is suing the Municipality for traffic officials who acted wrongfully on arresting the Plaintiffs. Case is awaiting for trial date at Mthatha High Court.	2,071,856	-
Case 1087/08 Langulabantu Construction vs Municipality Claim for construction done and not paid. Case pending awaiting trial date from the Register of the High Court (File 14/16/68)	-	292,920
Case 1152/07 Atlas Construction vs Municipality Claim for services rendered. Court has not given judgement pending further action by the applicant. (File 14/16/76)	-	238,572
Case No 744/2012 Thozamile Kenneth Semekazi vs Mnquma Municipality Costs of the application made by the applicant. Matter was heard and postponed sine die.	-	85,000
Case No. 803/2013- D. Poncana vs Mnquma Municipality Suing the Municipality for damages after his car was impounded by traffic Officer Ngalo. Filed Notice on Intention to Defend. Plaintiff's Attorneys are yet to furnish us with the local address for service of further pleadings.	-	18,000
Case No. RC 539/2012 Buyile George vs Eskom & Mnquma Local Municipality		

Figures in Rand	2019 R	2018 R
44. Contingencies (continued)		
Claim for loss of support on behalf of the minor children of the deceased E.N. Joni and for funeral expenses. Filed Notice of Intention to Defend. Plaintiff's Attorneys are yet to furnish us with local address for service of Pleadings.	-	240,655
Case No. 2524/2012 : Bongile Maxam vs Mnquma Municipality		
Suing the Municipality for unlawful arrest, detention and assault by Traffic Officers. The matter was finalized against the Municipality however an Appeal has been launched. Waiting for the date of the Appeal.	-	250,000
EC/MTHA/RC/1023/12 N. Mbangeni vs Mnquma Municipality & Others		
Plaintiff's claim is for suffering resulting from unlawful arrest and detention.	-	300,000
Case No. 84/12 MC : Siyephu vs Mnquma Municipality & Others		
Claim for damages as a result of assault of assault by Traffic Officers.	-	100,000
Case No. 90/13 : Thamsanqa Mcatshulwa vs Mnquma Local Municipality		
Claim against the Municipality for damages to Plaintiff's immovable property.	-	21,795
Case no: 329/14 John Okyne vs Mnquma Local Municipality		
Claim against the Municipality for damages. Pleading stage	-	100,000
Case no: 1289/12 Khayalethu Buso & Mzuxolile Mbiko vs Minister of Police & Constable Nkukwana		
Case of a Joinder Application joining the Traffic Office Buso on the proceedings.	-	100,000
Case No. 3089/2016 :Albert Max Bluhm v Mnquma Local Municipality		
The Plaintiff is Suing the Municipality for damages suffered as a result as a result of contract termination. Matter has been postponed Sine Die.	-	3,084,762
Case No.3461/15 :Zolile Mshumpela v Mnquma		
Plaintiff issued combined summons claiming for alleged unlawful arrest and detention. Matter is still at the Pleading stage.	1,008,000	1,008,000
Case No. RC 451/15:Tembela Van Der Berg v Mnquma		
Plaintiff issued summons claiming for alleged unlawful arrest and detention. Matter is still on trial and it was postponed to a date to be agreed upon by parties.	-	360,000
Case No.1406/15 :Geoffery Whittal v Mnquma		
Plaintiff issued combined summons claiming for alleged unlawful arrest and detention. Matter finalised on the 14th February 2017 against the Municipality and still awaiting for the Plaintiff to prove the claim in Court.	-	1,064,000
Case No. 1042/15 : Sandiso Manxeba v Mnquma Local Municipality		
Claim for damages as a result of potholes (Default Judgment). Attended Court on the 20th March to move an application to stay the Warrant and apply for recession and was granted.	-	58,216
Case No. 4338/16 : Mziwoxolo Mgaguli v Mnquma Local Municipality		
Claim for Damages in respect of the Motor Vehicle that was burnt. Matter still on the Pleading stage.	-	293,600
Case No. 967/2016 : Mgcineni Mcunukelwa v Mnquma Local Municipality		
Claim against the traffic officials for unlawful impoundment. Matter still on the pleading Stage.	-	200,000
Case No.89/18 Butterworth Mag. Court Vuyani Excellent Dyalo vs MLM and MM		
Suing the municipality for damages after his car was impounded by traffic officer. The matter is still on pleading stage.	150,000	150,000
Case No 2210/17 Mthatha High Court : Thulani S. Silimela vs MLM and Police		
Suing the Municipality for Unlawful and Wrongful Arrest by Traffic Officer and Police Official. Pending case	600,000	600,000
Case no. 3602/17 GrahamstownHigh Court matter Soyama Construction CC vs MLM		
Plaintiff suing the Municipality for services rendered and not paid. Pending Case	2,588,888	2,588,889
Case No 646/2017 Butterworth Mag : Sam Toyo vs MLM		
Plaintiff is suing the Defendant for damages suffered in a motor collision. Pending Case as it is on pleading stage.	65,000	65,000
Case No. 4806/2017 Grahamstown High Court Masixole Innocent Magwashu vs MLM		
Plaintiff suing the defendant for arrest without a warrant by Traffic official by the name of Mr Phelelani known as Raule. Pending case as it is still on pleading stage.	300,000	300,000

Figures in Rand	2019 R	2018 R
44. Contingencies (continued)		
Case No.1069/2014 Mthatha High Court : Siva Pillay Construction v Mnquma Local Municipality		
The Plaintiff is Suing the Municipality for damages suffered as a result of none payment for township roads construction. Still on Pleading Stage.	13,377,329	6,408,085
Case No.2390/2017 Mthatha High Court : A One Electric v Mnquma Local Municipality		
The Plaintiff is Suing the Municipality for damages suffered as a result of none payment for Rural electrification. Still on Pleading stage.	1,153,297	1,153,297
Case No.463/2017 Butterworth Magistrate Court: C.W.Z. Matota and another v Mnquma Local Municipality		
The Plaintiff is Suing the Municipality for damages suffered as a result of none payment for consulting work. Still on pleading stage.	164,477	164,477
Case No.5603/2017 Mthatha High Court Eagle Ukhozi Civils Proprietary Limited vs Mnquma Local Municipality		
Plaintiff suing the Municipality for services rendered and not paid - plaintiff abandoned building site. Matter is still pending (submitted a counter-claim of R894 987.33 for failure ti honour timeframes), and the matter has not been prosecuted further by the plaintiff.	659,587	659,531
	26,415,642	**19,904,799**

As at 30 June 2019, the municipality had the following contigent assets and contigent liabilities could not be quantified because it was not practicable to do so:

Case 6331/2018 Luvo Rubu vs Mnquma Local Municipality - Applicant suing the Municipality for unlawful and wrongful salary deductions. No amount claimed and costs to date have not been determined.	-	-
Case 1185/17 & 2685/17 Nokwanda Koleka Nkawana vs Mnquma Local Municipality - Plaintiff is suing the Municipality for illegally encroachment of plaintiff's property, namely, Erf 1352 Centane. Matter is on pleading stage	-	-
Case 250/19 Mpinda Hlaba vs Mnquma Local Municipality - Municipality is sued for unlawful and wrongful arrest by Traffic officer Sojini. Notice of Intention to defend has been filed.	-	-
	-	**-**

Contingent assets

Mnquma Local Municipality vs Rene Godsson Cumming Case No. 1638/19		
Municipality is suing the Respondent for unlawful & irregular contract of employment. Notice of Motion with founding affidavit was filed. The Respondent Attorneys has filed opposing papers.	300,000	-
	-	-
	300,000	**-**

Figures in Rand	2019 R	2018 R

45. Prior period errors

Commitments

As previously stated		86,287,684
Decrease in commitments due to completed and terminated project derecognised.		(40,614,374)
		45,673,310

Fruitless & wasteful expenditure

As previously stated		4,175,470
Increase in fruitless & wasteful expenditure due to interest incurred incorrectly recorded in 2017/18 instead of 2016/17.		88,581
Decrease in fruitless & wasteful expenditure due to interest incurred incorrectly recorded in 2017/18 instead of 2016/17.		(88,581)
Increase in fruitless & wasteful expenditure due to interest charged in the 2017/2018 previously not recognised.		720,906
		4,896,376

Irregular expenditure

As previously stated		461,186,188
Increase in irregular expenditure due to expenditure previously not recognised 2017/2018.		10,203,697
		471,389,885

Inventory

As previously stated		4,898,141
Decrease in inventory due to misstatement in inventory quantities in 2016/2017 financial period.		(931,164)
Increase in inventory due to misstatement of stock quantities.		789,851
Increase in inventory due to transfer of assets from PPE to IP and Inventory		82,000
Increase in inventory due to IP Properties identified as RDP		2,931,000
Decrease in inventory due to RDP inventory adjustment to net realisable value.		(6,416,302)
		1,353,526

Receivables from non-exchange transactions

As previously stated		5,072,266
Increase in receivables from non-exchange transactions due to recognition of fines relating to 2017/2018 fines previously not recorded.		2,591,850
Decrease in receivables from non-exchange transactions due to fines incorrectly captured twice.		(424,000)
Increase in receivables from non-exchange transactions due to traffic fines that could not be traced to supporting documents and irrecoverable which were written-off by Council.		1,788,655
Decrease in receivables from non-exchange transactions due to traffic fines that could not be traced to supporting documents and irrecoverable which were written-off by Council.		(1,788,655)
Decrease in receivables from non-exchange transactions due to derecognition of traffic fine warrants raised as these do not give rise to a financial transaction.		(285,700)
Decrease in receivables from non-exchange transactions due to irrecoverable long outstanding traffic fine debt written-off.		(16,121,458)
Increase in receivables from non-exchange transactions due to irrecoverable long outstanding traffic fine debt written-off.		12,738,693
Decrease in receivables from non-exchange transactions due to understatement of impairment of traffic fines.		(1,284,273)
Decrease in receivables from non-exchange transactions due to traffic fine receipts incorrectly recorded under traffic revenues account instead traffic fines debtors account.		(61,650)
Increase in receivables from non-exchange transactions due to overstatement of impairment of property rates debtors.		12,235,877
Increase in receivables from non-exchange transactions due to misstatement of property rates billed.		951,870
		15,413,475

Receivables from exchange transactions

As previously stated		4,663,481

Figures in Rand	2019 R	2018 R

45. Prior period errors (continued)

Increase in receivables from exchange transactions due to overstatement of impairment of refuse debtors.		1,874,649
Increase in receivables from exchange transactions due to misstatement of refuse billed.		53,589
		6,591,719

VAT receivable

As previously stated		13,966,159
Decrease in VAT receivable due to misclassification of interest on overdue accounts to VAT control account instead of finance costs.		(489,675)
Decrease in VAT receivable due to incorrect input VAT recorded on post & telecommunication expense.		(4,531)
Decrease in VAT receivable due to incorrect input VAT recorded on electricity expense.		(155,953)
Decrease in VAT receivable due to reversal of accruals for 2015/2016 which did not take input VAT into account.		(130,613)
Increase in VAT receivable due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		18,842
Decrease in VAT receivable due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		(18,842)
Increase in VAT receivable due to expenditure incorrectly recognised including VAT instead of accounting for VAT separately.		7,520
Increase in VAT receivable due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		4,297
Decrease in VAT receivable due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		(4,297)
Decrease in VAT receivable due to overstatement of VAT on expenditure.		(294,451)
Increase in VAT receivable due to understatement of VAT on expenditure.		654,616
Increase in VAT receivable due to VAT on Claim 4 incorrectly capitalised.		32,059
Increase in VAT receivable due to VAT Input was incorrectly added Roma to Sijila.		203,956
Increase in VAT receivable due to VAT Input was incorrectly added Roma to Sijila.		83,759
Increase in VAT receivable due to retention on Gcuwa Dam capitalised		20,447
Increase in VAT receivable due to correction of VAT on invoice TC027_06		(549)
Increase in VAT receivable due to VAT Input was incorrectly added Centane Taxi rank		296,226
Decrease in VAT receivable due to correction of VAT on Mpukane community Hall		(7,618)
Increase in VAT receivable due to reversal of VAT on R 3 325 600.79 that was captured inclusive of vat onTownship Roads		408,407
Increase in VAT receivable due to VAT Input was incorrectly added to Township Roads		304,330
Increase in VAT receivable due to capitalising of Mahlubini		96,446
Decrease in VAT receivable due to VAT Input that was disallowed by SARS.		(11,982,273)
Increase in VAT receivable due to reversal of a journal that was incorrectly passed in the prior year.		16,751,709
Decrease in VAT receivable due to reversal of a journal that was incorrectly passed in the prior year.		(16,751,709)
		3,008,262

Property, plant and equipment

As previously stated		1,550,892,242
Increase in property, plant and equipment due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		6,396
Decrease in property, plant and equipment due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		(6,396)
Decrease in property, plant and equipment due to reversal of journal no.10000767 passed without supporting documentation.		(6,376,321)
Increase in property, plant and equipment due to furniture & fixtures which were incorrectly recorded as disposed in 2016/2017 - Cost.		19,875
Decrease in property, plant and equipment due to furniture & fixtures which were incorrectly recorded as disposed in 2016/2017 - Accumulated depreciation.		(13,806)
Increase in property, plant and equipment due to office equipment which were incorrectly recorded as disposed in 2016/2017 - Cost.		46,058
Decrease in property, plant and equipment due to office equipment which were incorrectly recorded as disposed in 2016/2017- Accumulated depreciation.		(34,412)
Increase in property, plant and equipment due to office equipment which were incorrectly recorded as disposed in 2017/2018 - Cost.		17,000

Figures in Rand	2019 R	2018 R

45. Prior period errors (continued)

Decrease in property, plant and equipment due to office equipment which were incorrectly recorded as disposed in 2017/2018 - Accumulated depreciation.	(14,167)
Increase in property, plant and equipment due to other PPE which were incorrectly recorded as disposed in 2017/2018 - Cost.	4,200
Decrease in property, plant and equipment due to other PPE which were incorrectly recorded as disposed in 2017/2018 - Accumulated depreciation.	(3,500)
Increase in property, plant and equipment due to office equipment which was incorrectly classified as furniture & fixtures - Cost.	482,336
Decrease in property, plant and equipment due to office equipment which was incorrectly classified as furniture & fixtures - Cost.	(482,336)
Increase in property, plant and equipment due to office equipment which was incorrectly classified as furniture & fixtures - Accumulated depreciation.	401,729
Decrease in property, plant and equipment due to office equipment which was incorrectly classified as furniture & fixtures - Accumulated depreciation.	(401,729)
Increase in property, plant and equipment due to furniture & fixtures which was incorrectly classified as plant equipment - Cost.	85,531
Increase in property, plant and equipment due to office equipment which was incorrectly classified as plant equipment - Cost.	9,696
Decrease in property, plant and equipment due to furniture & fixtures and office equipment which was incorrectly classified as plant equipment - Cost.	(95,227)
Decrease in property, plant and equipment due to furniture & fixtures which was incorrectly classified as plant equipment - Accumulated depreciation.	(71,279)
Decrease in property, plant and equipment due to office equipment which was incorrectly classified as plant equipment - Accumulated depreciation.	(8,080)
Increase in property, plant and equipment due to furniture & fixtures and office equipment which was incorrectly classified as plant equipment - Accumulated depreciation.	79,360
Increase in property, plant and equipment due to furniture & fixtures incorrectly classified as office equipment - Cost.	1,124,953
Increase in property, plant and equipment due to plant & machinery incorrectly classified as office equipment - Cost.	1,414
Increase in property, plant and equipment due to other PPE incorrectly classified as office equipment - Cost.	491,762
Decrease in property, plant and equipment due to furniture & fixtures, plant & machinery and other PPE incorrectly classified as office equipment - Cost.	(1,618,129)
Decrease in property, plant and equipment due to furniture & fixtures incorrectly classified as office equipment - Accumulated depreciation.	(925,565)
Decrease in property, plant and equipment due to plant & machinery incorrectly classified as office equipment - Accumulated depreciation.	(1,179)
Decrease in property, plant and equipment due to other PPE incorrectly classified as office equipment - Accumulated depreciation.	(409,537)
Increase in property, plant and equipment due to furniture & fixtures, plant & machinery and other PPE incorrectly classified as office equipment - Accumulated depreciation.	1,336,280
Increase in property, plant and equipment due to office equipment incorrectly classified as other PPE - Cost.	8,860
Decrease in property, plant and equipment due to office equipment incorrectly classified as other PPE - Cost.	(8,860)
Decrease in property, plant and equipment due to office equipment incorrectly classified as other PPE - Accumulated depreciation.	(7,384)
Increase in property, plant and equipment due to office equipment incorrectly classified as other PPE - Accumulated depreciation.	7,384
Increase in property, plant and equipment due to plant & equipment incorrectly classified as motor vehicles - Cost.	644,837
Decrease in property, plant and equipment due to plant & equipment incorrectly classified as motor vehicles - Cost.	(644,837)
Decrease in property, plant and equipment due to plant & equipment incorrectly classified as motor vehicles - Accumulated depreciation.	(368,093)
Increase in property, plant and equipment due to plant & equipment incorrectly classified as motor vehicles - Accumulated depreciation.	368,093
Increase in property, plant and equipment due to furniture & fixtures previously not recognised.	27,035
Increase in property, plant and equipment due to plant & machinery previously not recognised.	20,405
Increase in property, plant and equipment due to office equipment previously not recognised.	92,764
Increase in property, plant and equipment due to motor vehicles previously not recognised.	217,150

Figures in Rand	2019 R	2018 R

45. Prior period errors (continued)

Decrease in property, plant and equipment due to understatement of furniture & fixtures depreciation.		(30,695)
Decrease in property, plant and equipment due to understatement of plant & machinery depreciation.		(3,605,270)
Decrease in property, plant and equipment due to understatement of office equipment depreciation.		(186,613)
Decrease in property, plant and equipment due to understatement of other PPE depreciation.		(24,160)
Decrease in property, plant and equipment due to understatement of motor vehicles depreciation.		(1,271,192)
Decrease in property, plant and equipment due to reversal of JNL 458 duplicated.		(378,658)
Increase in property, plant and equipment due to reversal of JNL 458 duplicated.		378,658
Decrease in property, plant and equipment due to VAT on Claim 4 incorrectly capitalised.		(32,059)
Decrease in property, plant and equipment due to reversal of retention 2015-2016 that was never paid.		(599,751)
Decrease in property, plant and equipment due to reversal of retention 2015-2016 that was never paid.		(181,420)
Decrease in property, plant and equipment due to reversal of retention 2015-2016 that was never paid.		(97,129)
Decrease in property, plant and equipment due to reversal of retention 2015-2016 that was never paid.		(451,026)
Decrease in property, plant and equipment due to reversal of retention 2015-2016 that was never paid.		(131,982)
Decrease in property, plant and equipment due to reversal of retention 2015-2016 that was never paid.		(136,070)
Decrease in property, plant and equipment due to reversal of retention 2015-2016 that was never paid.		(215,139)
Decrease in property, plant and equipment due to VAT Input was incorrectly added Roma to Sijila.		(203,956)
Decrease in property, plant and equipment due to VAT Input was incorrectly added Roma to Sijila.		(83,759)
Decrease in property, plant and equipment due to reversal of retention 2015-2016 that was never paid.		(138,995)
Increase in property, plant and equipment due to retention on Gcuwa Dam capitalised		146,050
Increase in property, plant and equipment due to correction of VAT on invoice TC027_06		549
Decrease in property, plant and equipment due to reversal of retention 2015-2016 that was never paid.		(150,681)
Decrease in property, plant and equipment due to VAT Input was incorrectly added Centane Taxi rank		(296,226)
Increase in property, plant and equipment due to correction of VAT on Mpukane community Hall		7,618
Decrease in property, plant and equipment due to reversal of retention 2015-2016 that was never paid.		(559,369)
Decrease in property, plant and equipment due to reversal of VAT on R 3 325 600.79 that was captured inclusive of vat onTownship Roads		(408,407)
Decrease in property, plant and equipment due to reversal of retantion that was never paid Gxakhulu access road to Qeqe		(353,061)
Decrease in property, plant and equipment due to reversal of retention 2015-2016 that was never paid.		(294,156)
Decrease in property, plant and equipment due to reversal of retention 2015-2016 that was never paid.		(130,808)
Decrease in property, plant and equipment due to reversal part of retantion that was raised but never paid MXAKA TO NOFOTYO		(633,327)
Decrease in property, plant and equipment due to reversal part of retantion that was raised but never paid Mthaku to Nyokana		(388,908)
Decrease in property, plant and equipment due to VAT Input was incorrectly added to Township Roads		(304,330)
Decrease in property, plant and equipment due to reversal of retantion that was never paid.		(269,200)
Increase in property, plant and equipment due to capitalising of Mahlubini		688,906
Increase in property, plant and equipment due to amount was incorrectly reversed on WIP - Mazizini to Mthawelanga		252,212
Decrease in property, plant and equipment due to removal of assets - Land Cost		(452,321)
Decrease in property, plant and equipment due to removal of assets - Infrastructure Cost		(735,059,057)
Decrease in property, plant and equipment due to removal of assets - Community Assets Cost		(88,303,665)
Increase in property, plant and equipment due to removal of assets - Infrastructure Accumulated Depreciation		275,980,933
Increase in property, plant and equipment due to removal of assets - Community Assets Accumulated Depreciation		1,775,661
Increase in property, plant and equipment due to reversal of transfer done in 2018 - Infrastructure Cost		3,613,634
Increase in property, plant and equipment due to reversal of transfer done in 2018 - Community Assets Cost		14,565,977
Decrease in property, plant and equipment due to reversal of transfer done in 2018 - Infrastructure Accumulated Depreciation		(1,775,900)
Decrease in property, plant and equipment due to reversal of transfer done in 2018 - Community Assets Accumulated Depreciation		(5,223,105)
Increase in property, plant and equipment due to restatement of Accumulated depreciation at 30 June 2017 - Infrastructure		60,199,898
Increase in property, plant and equipment due to restatement of Accumulated depreciation at 30 June 2017 - Community Assets		28,075,544
Increase in property, plant and equipment due to restatement of accumulated depreciation at 30 June 2018 - Infrastructure		(116,606,146)
Increase in property, plant and equipment due to restatement of accumulated depreciation at 30 June 2018 - Community Assets		(4,061,370)
Increase in property, plant and equipment due to reclassification of assets - Land Cost		9,886,731

Figures in Rand	2019 R	2018 R

45. Prior period errors (continued)

Decrease in property, plant and equipment due to reclassification of assets - Infrastructure Cost		(33,741)
Decrease in property, plant and equipment due to reclassification of assets - Community Assets Cost		(10,005,078)
Increase in property, plant and equipment due to reclassification of assets - Infrastructure Accumulated Depreciation		1,489
Increase in property, plant and equipment due to reclassification of assets - Community Assets Accumulated Depreciation		12,281
Decrease in property, plant and equipment due to transfer of assets from PPE to IP and Inventory - Infrastructure Cost		(83,373,442)
Decrease in property, plant and equipment due to transfer of assets from PPE to IP and Inventory - Community Assets Cost		(47,004,736)
Increase in property, plant and equipment due to transfer of assets from PPE to IP and Inventory - Infrastructure Accumulated Depreciation		7,770,448
Increase in property, plant and equipment due to transfer of assets from PPE to IP and Inventory - Community Assets Accumulated Depreciation		446,893
Decrease in property, plant and equipment due to projects terminated		(24,843,865)
Decrease in property, plant and equipment due to derecognition of erven not owned by Mnquma		(63,274)
		820,335,958

Payables from exchange transactions

As previously stated		(67,823,116)
Increase in payables from exchange transactions due to EPWP expenditure incorrectly recognised in 2017/2018 instead of 2016/2017.		(407,195)
Decrease in payables from exchange transactions due to EPWP expenditure incorrectly recognised in 2017/2018 instead of 2016/2017.		407,195
Increase in payables from exchange transactions due to interest on overdue accounts incurred incorrectly recorded in 2017/18 instead of 2016/17.		(88,581)
Decrease in payables from exchange transactions due to interest on overdue accounts incurred incorrectly recorded in 2017/18 instead of 2016/17.		88,581
Decrease in payables from exchange transactions due to misstatement of leave accrual.		301,488
Decrease in payables from exchange transactions due to misstatement of the opening balance of Department of Transport Creditor.		76,428
Decrease in payables from exchange transactions due to overstatement of medical aid accrual for 2016/2017.		53,775
Increase in payables from exchange transactions due to subsistence allowance incorrectly recorded in 2017/2018 instead of 2016/17.		(12,014)
Decrease in payables from exchange transactions due to subsistence allowance incorrectly recorded in 2017/2018 instead of 2016/17.		12,014
Increase in payables from exchange transactions due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		(238,485)
Decrease in payables from exchange transactions due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		238,485
Increase in payables from exchange transactions due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		(49,148)
Decrease in payables from exchange transactions due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		49,148
Decrease in payables from exchange transactions due to reversal of journal no.10000767 passed without supporting documentation.		6,376,321
Decrease in payables from exchange transactions due to misallocation of eNATIS receipts.		26,381
Increase in payables from exchange transactions due to misallocation of eNATIS receipts.		(26,381)
Increase in payables from exchange transactions due to unpaid leave accrual.		(489,158)
Increase in payables from exchange transactions due to accrual of unpaid casuals as at 30 June 2018.		(3,200)
Increase in payables from exchange transactions due to understatement of PAYE, SDL & UIF payable to SARS.		(317,983)
Increase in payables from exchange transactions due to rental allowances owing to retired employees.		(9,100)
Decrease in payables from exchange transactions due to reversal of retention 2015-2016 that was never paid.		599,751
Decrease in payables from exchange transactions due to reversal of retention 2015-2016 that was never paid.		181,420
Decrease in payables from exchange transactions due to reversal of retention 2015-2016 that was never paid.		97,129

Figures in Rand	2019 R	2018 R

45. Prior period errors (continued)

Decrease in payables from exchange transactions due to reversal of retention 2015-2016 that was never paid.		451,026
Decrease in payables from exchange transactions due to reversal of retention 2015-2016 that was never paid.		131,982
Decrease in payables from exchange transactions due to reversal of retention 2015-2016 that was never paid.		136,070
Decrease in payables from exchange transactions due to reversal of retention 2015-2016 that was never paid.		215,139
Decrease in payables from exchange transactions due to reversal of retention 2015-2016 that was never paid.		138,995
Increase in payables from exchange transactions due to retention on Gcuwa Dam capitalised		(166,497)
Decrease in payables from exchange transactions due to reversal of retention 2015-2016 that was never paid.		150,681
Decrease in payables from exchange transactions due to reversal of retention 2015-2016 that was never paid.		559,369
Decrease in payables from exchange transactions due to reversal of retantion that was never paid Gxakhulu access road to Qeqe		353,066
Decrease in payables from exchange transactions due to reversal of retention 2015-2016 that was never paid.		294,156
Decrease in payables from exchange transactions due to reversal of retention 2015-2016 that was never paid.		130,808
Decrease in payables from exchange transactions due to reversal part of retantion that was raised but never paid MXAKA TO NOFOTYO		633,327
Decrease in payables from exchange transactions due to reversal part of retantion that was raised but never paid Mthaku to Nyokana		388,908
Decrease in payables from exchange transactions due to reversal of retantion that was never paid.		269,200
Increase in payables from exchange transactions due to capitalising of Mahlubini		(785,353)
Increase in payables from exchange transactions due to amount was incorrectly reversed on WIP - Mazizini to Mthawelanga		(252,212)
		(58,307,580)

Accumulated surplus

As previously stated		(1,518,902,460)
Decrease in accumulated surplus due to misstatement in inventory quantities in 2016/2017 financial period.		931,164
Decrease in accumulated surplus due to EPWP expenditure incorrectly recognised in 2017/2018 instead of 2016/2017.		407,195
Decrease in accumulated surplus due to Interest on overdue accounts incurred incorrectly recorded in 2017/18 instead of 2016/17.		88,581
Increase in accumulated surplus due to misstatement of the opening balance of Department of Transport Creditor.		(76,428)
Decrease in accumulated surplus/ deficit due to reversal of accruals for 2015/2016 which did not take input VAT into account.		130,613
Increase in accumulated surplus/ deficit due to overstatement of medical aid accrual for 2016/2017.		(53,775)
Decrease in accumulated surplus due to subsistence allowance incorrectly recorded in 2017/2018 instead of 2016/17.		12,014
Decrease in accumulated surplus due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		219,643
Decrease in accumulated surplus due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		38,455
Decrease in accumulated surplus due to irrecoverable long outstanding traffic fine debt written-off.		3,382,765
Decrease in accumulated surplus/ deficit due to understatement of PAYE, SDL & UIF payable to SARS.		317,983
Decrease in accumulated surplus/ deficit due to rental allowances owing to retired employees.		9,100
Increase in accumulated surplus/ deficit due to journal passed in error.		(32,832)
Increase in accumulated surplus/ deficit due to furniture & fixtures which were incorrectly recorded as disposed in 2016/2017.		(6,069)
Increase in accumulated surplus/ deficit due to office equipment which were incorrectly recorded as disposed in 2016/2017.		(11,646)
Increase in accumulated surplus/ deficit due to assets previously not recognised.		(357,354)
Decrease in accumulated surplus/ deficit due to removal of assets		373,029,266

Figures in Rand	2019 R	2018 R

45. Prior period errors (continued)

Decrease in accumulated surplus/ deficit due to reversal of transfer done in 2018		6,999,005
Increase in accumulated surplus/ deficit due to restatement of accumulated depreciation at 30 June 2017		(88,275,442)
Increase in accumulated surplus/ deficit due to transfer of assets from PPE to IP and Inventory		(1,374,849)
Decrease in accumulated surplus/ deficit due to projects terminated		24,843,865
Decrease in accumulated surplus/ deficit due to derecognition of erven not owned by Mnquma		63,274
Decrease in accumulated surplus/ deficit due to removal of duplicate land entries		58,246,000
Decrease in accumulated surplus/ deficit due to removal of duplicate land entries		4,456,000
Decrease in accumulated surplus/ deficit due to IP Properties duplicated with FV entries in 2018		32,874,489
Decrease in accumulated surplus/ deficit due to reversal of the value adjustment		307,131,867
Increase in accumulated surplus/ deficit due to restatement of accumulated depreciation at 30 June 2017		(20,904,244)
Increase in accumulated surplus/ deficit due to adding properties not on FAR from Valuation roll		(27,511,566)
Increase in accumulated surplus/ deficit due to correction of revaluation reserve - Disposals and transfers before 2018		(126,500,787)
Increase in accumulated surplus/ deficit due to transfer of the revaluation reserve related to disposals 2018		(1,669,663)
Increase in accumulated surplus/ deficit due to transfer to accumuated surplus (Depreciation) 2018		(29,991,188)
Increase in accumulated surplus/ deficit due to RDP inventory adjustment to net realisable value.		6,416,302
		(996,070,722)

Service charges

As previously stated		(4,633,065)
Increase in services charges due to misstatement of refuse billed.		(53,589)
		(4,686,654)

Property rates

As previously stated		(20,259,404)
Increase in property rates due to misstatement of property rates billed.		(951,871)
		(21,211,275)

Traffic fines

As previously stated		(4,658,905)
Increase in traffic fines due to recognition of fines relating to 2017/2018 fines previously not recorded.		(2,591,850)
Decrease in traffic fines due to fines incorrectly captured twice.		424,000
Decrease in traffic fines due to derecognition of traffic fine warrants raised as these do not give rise to a financial transaction.		285,700
Decrease in traffic fines due to traffic fine receipts incorrectly recorded under traffic revenues account instead traffic fines debtors account.		61,650
		(6,479,405)

Employee related costs

As previously stated		179,545,130
Decrease in employee related costs due to EPWP expenditure incorrectly recognised in 2017/2018 instead of 2016/2017.		(407,195)
Decrease in employee related cost due to misstatement of leave accrual.		(301,488)
Increase in employee related costs due to unpaid leave accrual.		489,158
Increase in employee related costs due to accrual of unpaid casuals as at 30 June 2018.		3,200
		179,328,805

Finance costs

As previously stated		2,008,833
Decrease in finance costs due to interest on overdue accounts incurred incorrectly recorded in 2017/18 instead of 2016/17.		(88,581)
Increase in finance costs due to misclassification of interest on overdue accounts to VAT control account instead of finance costs.		489,675

Figures in Rand	2019 R	2018 R

45. Prior period errors (continued)

Increase in finance costs due to incorrect classification of interest on overdue accounts as electricity expenses.		3,832
Increase in finance costs due to incorrect classification of interest on overdue accounts as telephone expenses.		30,413
		2,444,172

Debt Impairment

As previously stated		25,119,873
Increase in debt impairment due to understatement of impairment of traffic fines.		1,284,272
Decrease in debt impairment due to overstatement of impairment of property rates debtors.		(12,235,877)
Decrease in debt impairment due to overstatement of impairment of refuse debtors.		(1,874,649)
		12,293,619

General Expenses

As previously stated		46,755,303
Decrease in general expenses due to misstatement of stock quantities.		(789,851)
Increase in general expenses due to incorrect input VAT recorded on post & telecommunication expense.		4,531
Decrease in general expenses due to incorrect classification of interest on overdue accounts as electricity expenses.		(3,832)
Decrease in general expenses due to incorrect classification of interest on overdue accounts as telephone expenses.		(30,413)
Increase in general expenses due to incorrect input VAT recorded on electricity expense.		155,952
Decrease in general expenses due to subsistence allowance incorrectly recorded in 2017/2018 instead of 2016/17.		(12,014)
Decrease in general expenses due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		(219,643)
Decrease in general expenses due to expenditure incorrectly recognised including VAT instead of accounting for VAT separately.		(7,520)
Decrease in general expenses due to expenses incurred incorrectly recorded in 2017/18 instead of 2016/17.		(38,455)
Increase in general expenses due to overstatement of VAT on expenditure.		152,562
Decrease in general expenses due to understatement of VAT on expenditure.		(575,441)
Increase in general expenses due to VAT Input that was disallowed by SARS.		11,982,274
		57,373,453

Actuarial gains / (losses)

As previously stated		(2,026,946)
Decrease in actuarial gains /(losses) due to journal passed in error.		32,832
		(1,994,114)

Loss on disposal of assets

As previously stated		2,654,374
Decrease in loss on disposal of assets due to office equipment which were incorrectly recorded as disposed in 2017/2018.		(2,833)
Decrease in loss on disposal of assets due to other PPE which were incorrectly recorded as disposed in 2017/2018.		(699)
		2,650,842

Depreciation and amortisation

As previously stated		52,938,749
Increase in depreciation and amortisation due to understatement of depreciation.		5,117,929
Increase in depreciation and amortisation due to restatement of depreciation as at 30 June 2018		120,667,515
Decrease in depreciation and amortisation due to IP Properties duplicated with FV entries in 2018		(191,308)
Increase in depreciation and amortisation due to restatement of depreciation as at 30 June 2018		3,672,494
		182,205,379

Figures in Rand	2019 R	2018 R

45. Prior period errors (continued)

Grants and subsidies expenditure

As previously stated		5,676,256
Increase in grants and subsidies expenditure due to overstatement of VAT on expenditure.		1,078
Decrease in grants and subsidies expenditure due to understatement of VAT on expenditure.		(41,703)
		5,635,631

Repairs and maintenance

As previously stated		2,291,168
Increase in repairs and maintenance due to overstatement of VAT on expenditure.		5,538
Decrease in repairs and maintenance due to understatement of VAT on expenditure.		(37,472)
		2,259,234

Bulk purchases

As previously stated		3,804,310
Increase in bulk purchases due to overstatement of VAT on expenditure.		135,272
		3,939,582

Revaluation reserve

As previously stated		(438,824,585)
Decrease in revaluation reserve due to removal of assets		173,029,182
Decrease in revaluation reserve due to transfer of assets from PPE to IP and Inventory		1,374,849
Decrease in revaluation reserve due to correction of revaluation reserve - Disposals and transfers before 2018		126,500,787
Decrease in revaluation reserve due to transfer of the revaluation reserve related to disposals 2018		1,669,663
Decrease in revaluation reserve due to transfer to accumuated surplus (Depreciation) 2018		29,991,187
		(106,258,917)

Investment property

As previously stated		421,615,983
Decrease in investment property due to reversal of transfer done in 2018		(18,179,611)
Increase in investment property due to reclassification of assets - Cost		152,087
Decrease in investment property due to reclassification of assets - Accumulated Depreciation		(13,771)
Increase in investment property due to transfer of assets from PPE to IP and Inventory - Cost		130,296,179
Decrease in investment property due to transfer of assets from PPE to IP and Inventory - Accumulated Depreciation		(7,770,447)
Decrease in investment property due to transfer of assets from PPE to IP and Inventory - Accumulated Depreciation		(446,893)
Decrease in investment property due to removal of duplicate land entries - Cost		(58,246,000)
Decrease in investment property due to removal of duplicate land entries - Cost		(4,456,000)
Decrease in investment property due to IP Properties identified as RDP - Cost		(2,931,000)
Decrease in investment property due to IP Properties duplicated with FV entries in 2018 - Cost		(33,066,307)
Increase in investment property due to IP Properties duplicated with FV entries in 2018 - Accumulated Depreciation		191,818
Increase in investment property due to IP Properties duplicated with FV entries in 2018 - Accumulated Depreciation		191,308
Decrease in investment property due to reversal of the value adjustment		(307,131,867)
Increase in investment property due to restatement of accumulated depreciation at 30 June 2017		20,904,244
Decrease in investment property due to restatement of depreciation 2018		(3,672,494)
Increase in investment property due to adding properties not on FAR from Valuation roll		27,511,566
		164,948,795

Figures in Rand	2019 R	2018 R

45. Prior period errors (continued)

46. Employee benefit obligations

Employee benefit obligation consists of the following:

Long service awards	12,588,000	10,677,331

The Muncipality has a defined benefit obligation in terms of the Long Service Awards. The defined benefit obligation is valued every year by independent qualified actuaries. The most recent valuations have been carried out by ZAQ Consultants and Actuaries:
Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:
- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave

Movement in the employee benefit obligation disclosed in the statement of financial position

Carrying value		
Opening balance	10,677,331	10,970,000
Current service cost - Employee Related Cost	1,501,057	1,639,000
Actuarial interest - Finance Costs	839,173	1,160,000
Benefits paid	(601,862)	(1,097,555)
Actuarial loss / (gain)	172,301	(1,994,114)
	12,588,000	**10,677,331**

Non-current liabilities	(10,610,000)	(9,105,913)
Current liabilities	(1,978,000)	(1,571,418)
	(12,588,000)	**(10,677,331)**

Figures in Rand	2019 R	2018 R

46. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	10,677,331	10,970,000
Benefits paid	(601,862)	(1,097,555)
Net expense recognised in the statement of the performance	2,512,531	804,886
	12,588,000	**10,677,331**

The amount recognised in the Statement of Financial Performance

Current service cost	1,501,057	1,639,000
Interest cost	839,173	1,160,000
Actuarial (gains) losses	172,301	(1,994,114)
	2,512,531	**804,886**

The principal assumptions for the purpose of valuations are as follows:

Assumptions used at the reporting date:

Discount rates used	8.36 %	8.74 %
Expected increase in salaries	7.36 %	6.09 %

The normal retirement age is 65 years and the SA85-90 mortality table was used.

The basis on which the discount rate has been determined is as follows:

The discount rate has been determined by using the Conventional Bond Rate for each relevant time period and the (yield curve based) inflation linked Bond Rate for each relevant time period.

Withdrawal rates

Age Band	Withdrawal Rate Males	Withdrawal Rate Females
20-24	16 %	24 %
25-29	12 %	18 %
30-34	10 %	15 %
35-39	8 %	10 %
40-44	6 %	6 %
45-49	4 %	4 %
50-54	2 %	2 %
55-59	1 %	1 %
60+	-	-

Figures in Rand	2019 R	2018 R

46. Employee benefit obligations (continued)

Other assumptions

Withdrawal rate

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate		
Total Accrued Liability	13,419,000	12,588,000	11,851,000	-	-
Current Service Cost	1,702,000	1,575,000	1,464,000	-	-
Interest Cost	1,344,000	1,256,000	1,177,000	-	-

Normal salary inflation

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

	-1% Normal salary inflation	**Valuation Assumption**	**+1% Normal salary inflation**
Total Accrued Liability	11,825,000	12,588,000	13,434,000
Current Service Cost	1,474,000	1,575,000	1,688,000
Interest Cost	1,175,000	1,256,000	1,345,000
	14,474,000	**15,419,000**	**16,467,000**

47. Bulk purchases

	2019	2018
Electricity	4,829,257	3,939,582